DOCUMENT RESUME

ED 294 039 CE 050 092

TITLE	Steps to Starting a Small Business. Student Notebook.
INSTITUTION	Wisconsin Univ., Madison. Vocational Studies Center.
SPONS AGENCY	Wisconsin State Dept. of Public Instruction, Madison.
PUB DATE	[83]
NOTE	146p.; For a related teacher guide, see CE 050 091.
AVAILABLE FROM	Vocational Studies Center, 964 Educational Sciences Bldg., 1025 West Johnson Street, Madison, WI 53706.
PUB TYPE	Guides - Classroom Use - Materials (For Learner) (051)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	*Business Administration; *Business Education; *Entrepreneurship; High Schools; Instructional Materials; Insurance; Learning Activities; Marketing; Money Management; *Small Businesses; Workbooks

ABSTRACT

This student notebook provides student materials for a program of study made up of a series of community-based activities potentially leading to the start-up of one's own business, while at the same time providing a better understanding of the American economic system of free enterprise. It begins with a glossary. For each of 15 units (1 more unit than in the teacher guide), a class preparation sheet asks the participants to complete specific assignments and suggests reading and aids for the unit. (Readings are mainly free materials available from the Small Business Administration and those items outlined in the teacher guide.) Materials needed to complete the assignments are also provided. Unit topics are introduction to small business, opportunities for small business, capital, legal and tax aspects of small business, business insurance and information, marketing and marketing research, selecting a location and planning the physical layout of a small business, merchandise cycle, capital outlay and estimating cash flow, professionals working with small businesses, business records, personnel management, and visit with a loan officer. An additional unit provides a location for the participants to gather together the worksheets and supportive materials for an interview with a financial institution loan officer in the last unit. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED294039

Student Notebook

Project Coordinators:
W. Jacobsen
A. Lehman

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

K Ruzicka

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

CE050092

Sponsors:
Business & Education Coordinating Council, Madison, WI
CAVE Department, School of Education, Universtiy of Wisconsin
Greater Madison Chamber of Commerce, Madison, WI
Madison Metropolitan School District, Madison, WI
Madison Rotary Foundation, Madison, WI
Vocational Studies Center, University of Wisconsin
Wisconsin Department of Public Instruction

THE VOCATIONAL STUDIES CENTER
SCHOOL OF EDUCATION
UNIVERSITY OF WISCONSIN-MADISON **ETC 200**

BEST COPY AVAILABLE

STEPS TO STARTING A SMALL BUSINESS

Student Notebook

Project Coordinators:

W. Jacobsen
A. Lehman

Contributors:

W. Jacobsen
A. Lehman
L. Plourde
R. Powers
B. Scott

Sponsors:

Business & Education Coordinating Council, Madison, WI
CAVE Department, School of Education, University of Wisconsin
Greater Madison Chamber of Commerce, Madison, WI
Madison Metropolitan School District, Madison, WI
Madison Rotary Foundation, Madison, WI
Vocational Studies Center, University of Wisconsin
Wisconsin Department of Public Instruction

The Vocational Studies Center
UNIVERSITY OF WISCONSIN-MADISON
964 Educational Sciences Building
1025 West Johnson Street
Madison, Wisconsin 53706
Tel: 608/263-4357

The Wisconsin Department of Public Instruction does not discriminate on the basis of race, sex, age, religion, handicapped or national origin.

TABLE OF CONTENTS

Introduction

Student Application Blank i

Topical Outline ii

Glossary 1

Unit I - Introduction To Small Business 1-1

Unit II - Opportunities For Small Business 2-1

Unit III - Capital 3-1

Unit IV - Legal And Tax Aspects Of Small Business 4-1

Unit V - Business Insurance & Information 5-1

Unit VI - Marketing - Marketing Research 6-1

Unit VII - Selecting A Location & Planning The Physical Layout Of A Small Business 7-1

Unit VIII - Merchandise Cycle 8-1

Unit IX - Capital Outlay And Estimating Cash Flow 9-1

Unit X - Developing Cash Flow Statement 10-1

Unit XI - Professionals Working With Small Business 11-1

Unit XII - Business Records 12-1

Unit XIII - Personnel Management 13-1

Unit XIV - Visit With A Loan Officer 14-1

Unit XV - Business Plan 15-1

INTRODUCTION

Steps To Starting A Small Business is a program of study made up of a series of community based activities leading potentially to the American dream of owning ones own small business, while at the same time providing a better understanding of the American economic system of free enterprise. It is a process that would allow those who seek self employment and economic independence to bring together in a concerted effort--responsibility, enterprising thought, reality and imagination. The purpose of the activities in the course is to teach the student to be mindful of the future and that for the small business to be successful there is a definite need to carefully plan a small business; that is, gather the facts, put them into a framework of understanding and then make a decision.

Please realize that the process of putting together a plan for a small business is not a static exercise. It is one that is dynamic and in a constant state of change which will demand flexibility from you and from those who are teaching the course.

Remember, as you are progressing through the course, the end result is not for everyone to start a small business. But it is to give the participant an understanding of one method of putting together a small business and for those who have the abilities, to provide a stepping stone to owning a small business.

STARTING A SMALL BUSINESS

Student Application Blank

Name _____ Student No. _____

Address _____ Telephone No. _____

_____

School _____ Grade _____

Birthdate _____

Homeroom No. _____ Homeroom Teacher _____

What are your career plans for the future? _____

_____

_____

_____

Why are you interested in taking this class? _____

_____

_____

List work experience (business name, address) _____

_____

_____

_____

What business are you interested in starting? _____

_____

_____

"STEPS TO STARTING A SMALL BUSINESS"

TOPICAL OUTLINE

Unit I — Notes

INTRODUCTION TO SMALL BUSINESS

- Introduction
- Small Business Defined
- Being Your Own Boss
- Small Business Opportunities In the Community

Unit II

OPPORTUNITIES IN SMALL BUSINESS

- Opportunities For Small Independent Businesses In Three Major Areas
- Marketing Your Idea
- Know Your Business

Unit III

CAPITAL

- Raising The Money
- Capital--What Is It?
- Model Small Business Interview

Unit IV

LEGAL AND TAX ASPECTS OF SMALL BUSINESS

- Legal Forms of Business
- Coping With Taxes

Unit V

BUSINESS INSURANCE: INFORMATION

- Insurance
- Sources of Information
- Chamber of Commerce

Unit VI — Notes

MARKETING - MARKETING RESEARCH

Personal Financial Statement
Marketing and Marketing Management
Marketing Research - An Idea For
A Small Business

Unit VII

SELECTING A LOCATION & PLANNING THE
PHYSICAL LAYOUT OF A SMALL BUSINESS

Market Information
Selecting A Location For Your Business
Planning The Physical Layout of Your
Business

Unit VIII

MERCHANDISE CYCLE

Merchandise Inventory
Merchandise Cycle

Unit IX

CAPITAL OUTLAY AND ESTIMATING CASH FLOW

Capital Outlay
Cash Flow Statement

Unit X

DEVELOPING CASH FLOW STATEMENT

Developing A Cash Flow Statement
Review of Small Business Marketing
Ideas

Unit XI

PROFESSIONALS WORKING WITH SMALL BUSINESS

Panel Discussion
Panel Assist With Cash Flow Statements
Tips on How to Request a Loan
Investor/Bankers - What They Look For
In Applicants

Unit XII

BUSINESS RECORDS

Running Your Own Business
Essential Business Records
Developing and Using Business Records
Information & Data Gathering

Unit XIII

PERSONNEL MANAGEMENT

Personnel Management
Review of Business Plan

Unit XIV

VISIT WITH A LOAN OFFICER

A Visit With The Loan Officer
Program Evaluation
Thank You

Addendum:

Notes

Glossary

GLOSSARY OF TERMS

Account	A record of a business transaction or "deal". When you buy something on credit, the company you are dealing with sets up an "account". This means they set up a record of what you buy and what you pay. You will do the same thing with any customers to whom you extend credit. At the bank, you will also have an "account", again a record of what you deposit and withdraw.
Accountant	One who is skilled at keeping business records. Usually, the name "accountant" refers to a highly trained professional rather than one who keeps books. An accountant knows how to set up the books needed for a business to operate and he can help a business owner understand what the business records mean.
Accounts Receivable	A record of what is owed to you. All of the credit "accounts" - the record of what each customer owes you - taken together are your "accounts receivable". Even though you don't have the money in hand, that money which is owed to you is an asset, just as money in the bank is an asset. Your "accounts receivable" is something you have to know in order to know what your business is worth at any time. Of course, your accounts receivable must be collected to become a real asset.
Accounts Payable	A current liability; the claims of vendors and others against your assets.
Accrued Expenses	A current liability; obligations not supported by invoices or other documentation, such as salaries and wages payable.
Advertising	Any form of paid, non-personal promotion that has an identifiable sponsor and that usually communicates with large numbers of people at the same time (e.g. television commercials, radio commercials, magazine advertisements, newspaper advertisements).

Source: Small Business Administration Glossary of Terms and authors.

Analysis	Breaking an idea or a problem down into its parts or a good examination of the parts of anything. In business you must "analyze", that is make an "analysis", of a problem before you can decide on the best solution. Let's say that your problem is some item that isn't selling well. You "make an analysis" by gathering all the facts as to why the item is not selling. Maybe you make a list of things which might be wrong or ask questions like: Is the price right? What have customers said about the item? Are the packages or displays dirty or unsightly? Is the thing old fashioned or out of date? Does it do the job it is supposed to do? Do your customers have any need for it? And anything else you can think of which might help you explain why it doesn't sell. After you look at any problem closely - examine all its parts - what might be done to solve the problem should be clearer in your mind.
Articles of Incorporation	A legal document filed with the state which sets forth the purposes and regulations for a corporation. These papers must be approved by the appropriate state office before a corporation legally exists and is allowed to do business. Each state has different requirements and the procedures are complicated so it is usually necessary to hire a lawyer specializing in corporate law to set up and get approval for a corporation.
Asset	Anything of worth that is owned. Your personal assets (not counting your abilities) are the money you have in your pocket or in the bank, whatever is owned by you, any securities which you own, the property you own, whatever part of your home that you own, your furniture and appliances and all the miscellaneous things which you personally own. The assets of a business are just the same: money in the bank, accounts receivable, securities held in the name of the business, property or buildings, equipment, fixtures, merchandise for sale or being made ready, supplies and all things of value which the business owns.

Bad Debts	Money owed to you that you can't collect. A business should never give credit or loan money to anyone who is not a good risk. But you can't be positive you are going to collect everything from those you do give credit or money to. You have to estimate in advance about how much you are not going to be able to collect and allow for it. You must set up a bad debt allowance.
Balance	(1) The amount of money remaining in an account. The total of your money in the bank after accounting for all transactions (deposits and withdrawals) is called a "balance". Also, the amount of money you owe a creditor or a customer owes you is called a "balance". (2) When the amounts of money in a positive (credit) account and a negative (debit) account are equal. Think of an account like old fashioned scales. When there is nothing on either side of the scale it is in balance. When credit is extended, it is like putting an amount of money on one side of the scale - the weight makes that side go down. When money is paid on the account it is like putting money on the opposite side of the scale - it offsets the weight of the other side. When enough money is paid back, the scales will equal or "balance" again. Books are kept as a convenient way to keep track of these positive and negative changes in an account and these business records allow you to figure your assets and liabilities at any one time. A business needs these records both for what they sell on credit and what they buy on credit.
Balance Sheet	An important business document which shows what a business owns and owes as of the date shown. Essentially a "balance sheet" is a list of business assets and their cost on one side and a list of liabilities and owners equity (investment in the business) on the other side with the amount for each. The liabilities include all that the business owes. If the balance sheet is figured correctly, the total assets will equal the total liabilities plus the owners equity.

Bookkeeping	The process of recording business transactions in the accounting records. It is very important to keep accurate and complete financial records and a good bookkeeping system will be a great help.
Brand Name	Name or trademark of a product serving to identify the product of a particular manufacturer or distributor, and to distinguish it from similar products made by others.
Break-even-point	Where the income is equal to the outgo. The level of business at which the revenue (income) exactly equals the expenses (outgo). It is important to know the break-even point so you can figure your profit on your estimated sales.
Budget	A plan expressed in monetary terms. How much money do you need to run the business? How much money do you think will be coming in? A budget is a guide to help you decide how to spend money. (See Plan.)
Business Venture	Taking financial risks in a commercial enterprise. The reason for risking your money, of course, is the hope of making a profit on your investment. One should always understand that there is a chance of losing money as well as making it - particularly when a business is new. Successful businesspersons have learned that they can control the risks by practicing good management and getting good advice from bankers, accountants, lawyers and business associates.
Capital	Available money to invest or the total of accumulated assets available for production. Put another way, your capital for going into business is the total of your property and money resources which you can make available for the business and whatever you will need to live on while getting the business going. Later on, if your business is successful, the business will accumulate "capital" in the form of property, goods and money (including securities).

Capital Requirement	A list (or schedule) of expenses which must be met to establish a business. Even before a business is started, the owner should start keeping records. One that is very important is a list of expected expenses and initial costs in order to establish how much capital must be invested to keep the business operating financially. Such a list must include all expected costs and have a margin of extra for the unexpected. What happens to many small businesspersons is that they fail to figure on all the expenses and costs which must be met. One of particular importance (and often forgotten) is the amount of money you will need for living expenses until the business starts earning a profit.
Cash	Money in hand or readily available. Currency - hard money, bills and negotiable securities (like checks) - in your cash drawer is cash. But so is the money you can draw on demand - your bank accounts or savings accounts also represent "cash". Cash is what you must have to keep a business going and it isn't unusual for even a very successful business to run out of "cash", particularly as the business is growing. Keeping a supply of "cash" is very important so good managers plan ahead on their cash needs.
Cash Discount	A deduction that is given for prompt payment of a bill. Even though the amount seems small, somewhere about 2%, when figured over a year, it is important. A 2% discount for paying within 10 days is the same as getting 36% interest on your money for the year. (See terms of sale). Example: It costs 2% more if you wait the full 30 days, so those 20 days = 2%. Use 360 days for a year (for simple math) divide by 20 = 18 time periods x 2% = 36% per year.
Cash Flow	An estimate of the cash position of the company. The total cash received less the total cash paid out during a specified time period.
Cash Receipts	The money received by a business from customers. "Cash receipts" are to a business what food and water are to anything living. An animal can live on its stored up food for only so long and then if it doesn't get more, it dies. A business will die, too, if it does not have a regular, sufficient flow of cash. A business can survive just so long on its stored up capital. Business persons preserve their capital as much as possible and try to control their cash receipts so that the business can continue.

Chain of Command	The proper lines of authority between the head of an organization, its managers and supervisors and its workers. It is well understood that there needs to be direct lines of authority in a military organization so that each person understands to whom they report and from whom they take orders. The same is true in a business organization although this doesn't mean that one should run a business like an army unit where commands are not to be questioned. What it does mean is that a good manager will make sure that employees understand the order of authority and the method of communicating with management. In every well organized business there should be a direct line of authority which everyone understands. Sometimes a chain of command chart is useful in making this clear.
Channel of Distribution	The path the product takes from the producer to the consumer; it may involve one or more middlemen. The channel of distribution for a product must fit the product and the buying behavior of the target customer.
Contract	An agreement regarding mutual responsibilities between two or more parties. In business law a "contract" exists when there has been a meeting of minds - whether or not the contract is written. However, contracts are usually in written form but should never be taken lightly because they legally bind the parties to the agreement. Any business contract should be examined by a lawyer who knows business law. Even with legal help, a contract should be read thoroughly and signed only after you fully understand what you are signing. One word of caution - many sales forms or order blanks are binding contracts and should not be signed unless the terms of the agreement are well understood.
Controllable Expenses	Those expenses which can be controlled or restrained by the businessperson. Some of the costs of doing business can be postponed or spread out over a longer period of time. For example, depreciation on equipment is a "controllable" expense in the sense that it isn't required if one puts off obtaining new equipment until the level of business is such that it can support the new purchase and its depreciation allowance.

Convenience Goods	What a customer buys regularly and without much thought. A convenience good is one for which the customer will devote a minimum effort to comparison shopping. There are three kinds of convenience goods: (1) impulse goods (something a customer hadn't planned to purchase, such as chewing gum at a checkout counter); (2) staples (items used regularly, such as food and gasoline); and (3) emergency goods (items unexpectedly needed such as bandages).
Corporation	A business venture comprising a group of individuals treated by the law as an individual. A business corporation is an artificial personage, created by a state charter, which can do business as a separate entity the same as individuals can do in a sole proprietorship or a partnership. The corporation acts on its own through its officers and is empowered to make contracts and carry out business activities like an individual. Unlike other types of ownership, the shares of a corporation may be owned by a number of persons.
Co-signers	Joint signers of a loan agreement, pledging to meet the obligations in case of default. When you ask someone to "co-sign" a note, you are asking them to share a debt with you if you can't pay it back. They guarantee the loan will be paid back and the lender can take legal action to take their property if they refuse to pay. Borrowing money this way is a considerable obligation for the co-signer and should not be entered into lightly by either the borrower or co-signer.
Credit	Credits and debits are used in bookkeeping to record transactions. To credit is to place an entry on the right side of an account. A credit in an asset account makes it smaller. A credit in a liability account makes it larger. Another definition: the business owner's reputation for prompt payment of obligations, as in "a good credit rating".
Current Assets	Those assets that will be owned only for a short period of time, usually not more than a year from the balance sheet date.
Current Liabilities	Those obligations or claims against the assets of a business which are expected to be satisfied within a relatively short period of time, usually a year.

Current Ratio	The ratio of current assets to current liabilities; used as a rough test of a business' ability to meet current obligations.
Debit	To debit is to place an entry on the left side of an account. Bookkeeping deals with debits and credits. It is a convenient way of recording on the books the additions and subtractions of business capital. Debits are minus or negative entries to liability, capital or revenue accounts which have their balances on the right side of the account. Debit entries increase accounts with a balance on the left side of the accounts, such as the asset accounts.
Debts	That which is owed. If you borrow money, buy something on credit, or receive more money on an account than is owed, you have an obligation to pay back whatever amount of money or goods is involved. Going into debt is a useful and often necessary way of doing business. However, careful consideration must be given to the borrower's ability to repay before entering into a debt agreement.
Default	Failure to pay a debt or meet an obligation. Any debt is a trust and failure to pay it is a violation of a high obligation. If you "default" you demonstrate that you are untrustworthy and unreliable - two damaging attitudes toward your reputation. In business such a reputation can, and probably will, cost you business, restrict your credit and lose you valuable creditors and business friends.
Demand	An order to comply with an obligation. In business we speak of paying on demand. This simply means that the obligation must be satisfied immediately when requested. Contracts are often written with a pay on demand clause. This means just what it says, the debtor must pay when asked if the terms of the contract agreement have been met.

Depreciation	A decrease in value through age, wear or deterioration. You have all heard it said that an automobile "depreciates" as soon as it is driven off the lot. It becomes a "used" car immediately and is worth something less to a buyer than when it was brand new. All of the equipment which you buy for a business is the same way - it begins to depreciate immediately and is worth something less as it continues to be used. Depreciation is a normal expense of doing business which must be taken into account. As a new piece of equipment is purchased it is set up as an item in a "depreciation account" whereby it can be charged over a period of time. There are laws and regulations governing the manner and periods of time that may be used for depreciation inasmuch as the rate of depreciation affects income and capital on which a business pays taxes.
Depth	The assortment of models offered within a product line.
Discretionary Income	The portion of disposable income available for expenditures over and above those required for fixed commitments such as debt repayments, tenant rent, and essential household needs. Discretionary income is the amount of money which can be spent on nonessentials. Discretionary Income = Subsistence Income - Disposable Income.
Disposable Income	The portion of income remaining after all tax payments are made: Disposable Income = Income - Taxes.
Distribution	A system for getting goods and services from the producer or seller to the intended customer. Distribution involves the physical flow of products (i.e., transportation, warehousing and handling of goods) and the channel by which these products are distributed.
Economic	Pertaining to money of financial matters. We speak of "economics" as the management of resources whether we are talking about a nation, city, a business or an individual. Business itself is a subject of economics and the economic situation affects every business in some way. A small businessperson does well to have a basic understanding of economics because it is such an important matter in the conduct of business.

Embezzlement	To steal or take by fraud another's property for one's own use. This dishonest act is one of the great perils of doing business. Seemingly trustworthy people sometimes are moved to steal from their employers and associates. Many businesses have been unable to survive the effects of such acts. There are three ways to protect a business against the probability of embezzlement - careful selection of those people who are the best risks, business practices which make embezzlement difficult, and business insurance or bonding against any loss that may occur.
Enterprise	A business firm or a business undertaking. The word "enterprise" means any hard, dangerous or important undertaking or project. It's a good name for a business because a successful business takes all these things.
Entrepreneur	A person who organizes and manages a business. This is a French word borrowed from that language and now is a part of regular English. Its popularity probably comes because it has a grand sound which benefits anyone who has the initiative to create and run a business.
Equity capital	Venture money. In order to go into business you will most certainly have to lay it on the line. You put up savings or property when you go into business and you do it in hopes of getting a good return. Unfortunately, some people who have worked hard and protected their savings magnificently allow themselves to be dazzled by the prospect of their own business and make their investment foolishly. Most often they have little but heartache and debts to show for their effort. So it is very important to consider carefully before investing in your own business and to take all the steps you can to assure a business success and the protection of your "equity capital".
Factors	(1) Something which contributes to a result. (2) A finance company specializing in high risk loans (usually at high interest rates). English is full of words with more than one meaning. Here there are two meanings which apply to business. The first has to do with "facts" or "factual things" which are a part of any subject. We speak of the "factors" in borrowing money and what we mean is the individual considerations or facts which the banker or loan officer must know in order to approve a loan. The second meaning of "factor" is quite different and has

	to do with money lenders who make a business of loaning money for a short time and for purposes where the risks may be high. Factors who loan money to a business usually require collateral and may exercise control of your business decisions.
Fair Trade Items	Items for which a minimum price has been set by the producer or wholesaler. The minimum price established should be charged by the seller in states where the laws require adherence to the set price.
Financial Statements	Documents that show your financial situation. Two major statements are needed to cover the information necessary to run a business and get financing. They are the Income Statement and the Balance Sheet. In order to borrow any appreciable amount of money, the lender will require you to prepare an accurate financial statement. Even if not required for a loan, you need them to help you make plans and decisions as well as showing you how your business is doing.
Financing	Obtaining monetary resources. Businesses usually obtain financing at some time - either to go into business or expand operations. It is advisable to set up relationships with those who might finance your business before you need the money.
Fixed Assets	Tangible, relatively long-lived resources (often called Property, Plant and Equipment).
Fixed Expenses	Those costs which do not vary from one period to the next. Generally, these are expenses that are not affected by the volume of business. Rent, for example, must be paid whether or not any business was transacted. Fixed expenses are the basic costs that every business will have each month.

Franchise (Franchisor, Franchisee)	A right or privilege to deal in a certain line or brand of goods and services. A franchising company (franchisor) is in the business of "selling" businesses or brands to small businesspersons. Usually, the franchisor and the businessperson who agrees (franchisee) enter into a binding contract where the franchisor supplies the product, materials and a certain amount of know-how and the franchisee agrees to handle the product exclusively and run the business according to certain standards prescribed by the franchisor. Such a relationship may be mutually advantageous, but is a long term arrangement that should be carefully examined before accepted.
Franchising	A system of distribution under which individually owned businesses operate as though they were part of a large chain, complete with trademarks, uniform symbols, design, equipment, and standardized products.
Functional	Performing a function or carrying out a characteristic action. In the sense in which the word is usually used, it describes a thing which is more useful than ornamental and that is related to its basic function. In business, we speak of a "functional" organization and it simply means an organization around the activities which the business engages in rather than the more formal "line management" organization. A "functional" organization implies that it has specialists who function as managers rather than managers who only manage and are not specialists.
Gross	Overall total before deductions. Another way to put it is that "gross" means the whole amount. A business-person has to learn early the difference between "gross" and net figures. Many people beginning in business get fooled by the gross figures. For example, a business shows a substantial "gross" profit but by the time additional expenses are deducted the amount of the "net" profit is small.
Gross Margin	The difference between sales revenue and cost of goods sold.

Image	Term referring to the way customers "feel" about a business. The image of a store is what people believe to be true about it and how well those beliefs coincide with what they think it should be like.
Impulse Good	A convenience good which a customer had not planned to purchase (e.g., chewing gum).
Income	Money coming in. In a business sense, "income" is really pretty much the same for the business as for an individual. One's income is all the money received before anything is taken out and that's what it is in a business enterprise. One must not confuse the gross income of a business with his/her personal income (net income) from the business. As clear as that should appear to be, many small businesses have failed because the owner was misled into thinking the business was doing better than it really was.
Income Statement	A financial document that shows how much money (revenues) came in and how much money (expenses) was paid out. Subtracting the expenses from the revenues gives you your profit and all three are shown on the income statement. The statement should cover some definite time period.
Industry Ratio	The standard or "average" percentage of expenses spent by firms in a similar type of business (i.e., firms in the same industry). These "industry ratio" figures are very important guidelines for a business. It is not that you ought to spend exactly the same percentage as the average for your business but by comparing costs with what many other businesses spend, you can look for areas that seem out of line. If, for example, you are spending just half as much for advertising as the industry ratio, it would be well to consider if additional advertising might be helpful in building sales.
Interest	The cost of borrowing money. Just as you are interested in a return on your investment in your business, return on investment is of concern to the lender of money. Banks and loan companies are businesses like any other. They have to receive a profitable income or they can't attract money, expand and provide the services which banks must provide. Of course, any interest you pay comes right off the top of your income and is profit that you can't make for yourself. Shop for a good price on "interest" as you would for anything you buy and get advice on how to figure the real interest.

Inventory	A list of present or current assets. If you are in a retail business, the stock you have on the shelves is "inventory", but then so are your available supplies, goods received or stored and any expendable items on hand. As a regular part of the bookkeeping process inventory must be periodically counted because any inventory is a part of your current assets needed to figure what the business is worth.
Invest	Lay out money for any purpose from which a profit is expected. One way to evaluate whether an investment in a business is worthwhile is to consider what you would receive on that same amount of money put into a low risk investment. Certainly, the prospects should be for a greater rate of return in a high risk situation.
Lease	A long term rental agreement. A "lease" arrangement is mutually advantageous to both the lessor (renter) and the lessee (one who rents). The agreement gives the landlord assurance that the property will be rented and protects the renter because it assures that the business property will not be rented out from under the business. It is a good idea to have lease options for extending the rental periods. However, one word of caution - businesses often find that they are in trouble because they did not plan on sufficient space but were bound by a lease which they could not get out of.
Liability	Debts or that which is owed. This is another common word in business that is confusing. We speak of liability insurance which is insurance to cover any claims which are brought against the policy holder (for which he is sued). But when we speak of a business "liabilities" we are usually speaking in an accounting sense - those obligations of the business as opposed to its assets. Of course, as an owner the business has a "liability" toward you so with the lists of what the business owes (its liabilities) there is always carried an ownership liability which is the difference between what a business owns and what it owes to those other than the owner.

Liability Insurance	Risk protection for actions for which a business is liable. Insurance that a business carries to cover the possibility of loss from law suits in the event the business or its agents were found at fault when an action occurred. It protects the business investment.
Limited Partnership	A legal partnership where some owners are allowed to assume responsibility only up to the amount invested. The idea for a limited partnership is that some investors may put up money for a business venture without being directly involved in its operation and so are not held responsible for the debts of the other partners beyond the possible loss of the money they have invested.
Line Position	A place of authority in a "line" organization. In a "line position" the person involved is organizationally responsible only to the person directly above him/her in the organization.
Liquidate	To settle a debt or to convert to cash. This literally means to do away with. In a business sense it means to do away with a debt by paying it or to do away with assets by selling them and thus turning them into hard cash.
Loan	Money lent at interest. A lender makes a "loan" with the idea that it will be paid back as agreed and that interest will be paid as a sort of "rent" for the use of the money.
Long Channel of Distribution	The path of a product from the producer to consumer involving several middlemen. A long channel is usually used to distribute goods that are small, inexpensive, bought in small amounts and considered convenience goods by a widespread target population (e.g., magazines, hosiery, cigars).
Management	The art of conducting and supervising a business. It isn't enough to just invest money in a business - the business must be nurtured, protected and helped along to success. Management is the exercise of judgment in the affairs of the business.

Market	People with needs to satisfy, money to spend, and a willingness to spend.
Market Concept	A viewpoint held by management stressing determination of the needs, wants, and values of the market segment which the company plans to serve. The firm then attempts to satisfy these wants more effectively and efficiently than its competitors.
Market Demand	The expected total volume of a product purchased by defined clientele during a defined time period as a result of a specific marketing program.
Market Research	A method of solving business problems. Market research gives businesspeople the information necessary to determine whether or not their goods and/or services are: (1) designed according to the consumers' needs; (2) distributed in a way that takes account of consumers' buying habits; (3) priced according to consumers' willingness to pay the stated price; and (4) sold with whatever services the customer requires.
Market Segment	A submarket of the total market for a product which is uniform with respect to a significant characteristic which influences the consumers' buying behavior.
Market Segmentation	Process of dividing the total market for a product into smaller submarkets. Each submarket must be uniform with respect to a significant characteristic.
Marketing	All the activities involved in buying and selling a product or service. You must know most of the following things to market successfully: Who is going to buy? What is it they want? Where will they go to get it? How much will they pay? How much will they buy? Who else sells it? How will you sell it? How much profit do you want? Involves the designing, pricing, promotion, and distribution of want-satisfying products; all the activities involved in satisfying consumers' needs and wants by getting the goods and services from the producer to the consumer.

Nonrecurring	One time; not repeating. "Nonrecurring" expenses are those involved in starting a business which only have to be paid once and will not occur again.
Objective	Something toward which effort is directed; something to accomplish. It's interesting that "objective" also means realistic and we might say that "objectives" are realistic goals that we set.
Obsolescence	Declined in value because of replacement by new and/or better things. A business owner has to be aware of changing patterns in the things which people buy. People have a way of wanting whatever is the latest or the newest in most things so you will do well not to overstock items which tend to change style.
Operating Costs	Expenditures arising out of current business activities. In other words, your "operating costs" for any period of time is what it cost you to do business - the salaries, electricity, rental, deliveries, etc., that were involved in performing the business dealings.
Operating Ratios	The relationship of costs from business activities. What percentage of your costs went for rent? How does it compare with other businesses like yours? These are facts which a business needs to know if it is efficient and not wasting resources.
Operational Organization	The plan for doing business. The management structure as opposed to the legal structure of a firm is its operational organization.
Organize	To put in order. A good manager can "organize" just about anything - people into a work force, bills into a payment schedule, or merchandise into a display plan. There is a kind of logic to everything and using that logical pattern in business affairs can make just about any task a lot simpler and easier.
Owner's Equity	The claims of the owner against the assets of a business.
Owner Manager	One who owns and operates a business. One of the greatest assets which an "owner manager" has is flexibility to meet problems. There is no need to call a committee together or consult the board of directors to take action. Being a good owner manager is among the highest of callings and is one of the most satisfying of endeavors.

Marketing Management	An ongoing task of analyzing, planning and implementing programs that will generate transactions with the target market at a level adequate to meet goals and objectives set by the company.
Marketing Mix	Term used to describe the four elements (product, price, promotion, distribution) that a business can control and vary to reach its market.
Merchandise	Goods bought and sold in a business. "Merchandise" or stock is a part of inventory. In usage merchandise has come to mean anything movable that may be sold or traded.
Merchandise Cycle	A listing of merchandise, services, products, etc. By reviewing the seasonal fluctuations of the sales of these items, a business can develop plans that will make the most effective use of company resources.
Merchandise Inventory	A cataloging of the merchandise, services or products a business has for sale. The control of inventory and projections or future inventory needs are two important applications of inventory reports.
Middleman	An independent businessperson standing between the producer and consumer who helps move the product from the producer to the consumer (e.g., retailer, wholesaler).
Motivation	Strong influence or incentive. Motivation is the thing which moves a person to do something. "Motivation" may be something of which the individual is not even aware. A whole field of business psychology has grown up around motivation research - the hidden reasons why people buy things.
Need	Lack of anything that is required, desired or useful.
Net	What is left after deducting all charges. (See "gross").

Ownership Organization	The legal structure for a business. How a business is organized legally depends upon how it is owned. If one person owns it - it's a proprietorship (usually), if several own jointly as owner-managers - it is a partnership unless incorporated.
Package Design	Important element of the total product. A good package design motivates the customer to buy the product by making the product easy to see and easy to identify.
Partnership	A legal business relationship of two or more people who share responsibilities, resources, profits, and liabilities. Partnerships are built on mutual trust and friendship, but should still have the agreement in writing.
Payable	Ready to be paid. One of the standard accounts kept by a bookkeeper is "accounts payable". This is simply a list of those bills which are current and due to be paid.
Personal Selling	Involves a face-to-face relationship between the prospective buyer and the seller. Personal selling is adaptable to the needs of the individual.
Personnel	Persons collectively in the employ of a business. As a small business grows, it will need people to handle the expansion of business and carry out the work of the business. Your personnel are a part of your business and deserve consideration as full fledged members of the firm even though they may not share in the firm's ownership and profits.
Plan	A plan is a formal decision to do something, then figuring out how you are going to do it before you start. You must answer the questions of what? Where? When? How? And why? You should <u>plan</u> <u>first</u> then do. (See budget).

Pledge	To bind by a promise, to give possession of something of value as security on a loan. There has to be a great deal of trust between parties doing business - indeed it seems doubtful that business itself could proceed without it - it is the basis for all credit transactions, most business agreements and the general conduct of commerce. For the most part, we accept the "pledge" of other people about most business things without questions and happily they keep their promises. However, another kind of "pledge" is sometimes necessary which calls for a more formal arrangement, particularly where sizable amounts of money are involved. In these cases the borrowing party "pledges" (usually in writing) to give possession of some of his/her capital assets if he/she is unable or does not meet the terms of his/her obligation.
Point of Purchase Display	Attention-getting arrangement of products on the shelf, using banners, posters or small cards which attract the attention of the shopper to a particular product on the shelf.
Posting	To enter in an account. Literally, "post" means to give a position to something so when you "post" figures in a ledger, you are assigning them their right position in the firm's account books.
Prepaid Expenses and Deferred Charges	Assets, usually intangible, whose usefulness will expire in the near future (e.g., insurance policies).
Price	The cost of a product to the customer. The price of a product should be cost oriented and market oriented. Pricing policy must be flexible enough to vary according to changing consumer needs and competition.
Pricing	To set the selling price. One of the most difficult jobs in business is selecting the right price. If the price is set too high the customers won't buy. Too low a price and you lose profit. Pricing should be done very carefully. You have to consider how much profit you need, what your competition is charging, and how much your customers are willing to pay.
Principal	Property or capital assets as opposed to income; also, one who is directly concerned in a business enterprise. This is still another of those confusing words with more

	than one meaning, but if you really consider that it means "the first in importance" whether we are talking about people or capital assets the meanings make more sense. Therefore, the money you invest in a business is the first in importance - principal - and if you are investing money and/or effort in business you are a "principal".
Product	A good or service that someone is willing to sell and someone is willing to buy. A product consists of a whole set of values received by the buyer. These values satisfy specific consumer needs - psychological as well as physical.
Product Line	A number of products which may be considered as a closely related group because they are used together, satisfy similar needs of customers, are sold through similar outlets, or follow a selected pricing system.
Product Mix	The collection of product lines offered by a store (e.g., sporting goods store - golfing equipment, ski equipment, tennis racquets, basketballs; drug store - beauty aids, health aids, infant goods).
Profit	Financial gain; returns over expenditures. Simply put, "profit" is what you've got left after paying for everything. Hopefully, the profit represents a good return in the investment in a business plus a sort of reward - payment for good management. But never take profit for granted - it can be disappointing.
Profit and Loss Statement	A list of the total amount of sales (revenues) and total costs (expenses). The difference between revenues and expenses is your profit or loss.
Profit Margin	An allowance above expenditures in a price. A businessperson plans for his/her profits by building them into his/her prices (see Pricing).
Promotional Blend	The mixture of advertising, sales promotion, personal selling and public relations used by a business.

Promotion	All the communications between a businessperson and her or his present and prospective customers. The goals of promotion are to (1) stimulate sales of a product and (2) create a good business image.
Public	An identified group of people which may or may not be interested in or impact on the business. Investors and consumer boycotters are two examples of publics - one which interests the business and one which does not.
Public Relations	The kinship of business with the political, educational, commercial, and charitable life of the community. Public relations is civic-mindedness which creates a company image, promotes customer goodwill and ultimately affects sales favorably.
Ratio	The relationship of one thing to another. A "ratio" is a short cut way of comparing things which can be expressed as numbers or degrees. For example, we say that a green grocer has a 10 to 1 loss ratio on lettuce and that's a short cut way of saying that for every 10 heads of lettuce that the grocer buys, on the average, he loses one head that doesn't sell or spoils before it can be sold and so has to be thrown away. Ratios of this kind are figured by keeping figures over a period of time - for example, the grocer may have learned his loss "ratio" by keeping track of how many heads of lettuce he sold during the month and counting those he threw away. The "ratio" here is figured by dividing the number lost into the number sold.
Ratio Analysis	The use of ratios (one number expressed in terms of another, such as ROI) to analyze the financial condition of a business.
Receivable	Ready for payment. When you sell on credit, you keep an "accounts receivable" as a record of what is owed to you and who owes it. In accounting, a "receivable" is an asset - it represents money that is owed to you. As such "receivables" are listed as a current asset in the balance sheet.

Regulations	Rules or laws (affecting a business). It is accepted in our system of government that the state has the obligation of protecting citizens so government sets up laws which prevent injury to citizens. Some of these have to do with business practices and must be followed to avoid penalties. Of course, many such regulations benefit the small businessperson.
Reserve	That which is held back or stored for future use or in case of emergency. The success or failure of many young businesses depends upon their abilities to weather a financial crises. Even though you plan financial needs in great detail, unforeseen expenses are likely to occur sometime so you should have sufficient "reserves" to meet an emergency.
Retail	Selling directly to the consumer. Selling in large quantities to dealers for resale is a "wholesale" activity while selling in small quantities directly to people who will use the product is called "retail". There is some confusion brought about by advertising which says, discount, cut-rate or "wholesale prices", but these operations are really "retail" as long as they are selling in small amounts to the general public.
Retailer	A middleman who sells directly to the consumer; usually buys products in large lots from a manufacturer or wholesaler and sells them to customers in small individual sales.
Retained Earnings	The difference between total earnings to date and the total amount of dividends to date; that is, it represents that part of total earnings retained for use in the business.
Return on Investment (ROI)	Net income divided by investment (investment can mean assets, owner's equity, or invested capital).
Return on Sales	Ratio of net income to net sales; used as a measure of overall profitability (also called profit margin or net income percentage).
Revenue	The amount customers pay for goods or services.

Sales Promotion	A form of non-personal communication. Sales promotion includes marketing activities, other than advertising, personal selling, and public relations, which stimulate consumer purchasing. The function of sales promotion is to attract and hold the attention of potential customers. Examples: window displays, shelf displays, coupons, trading stamps.
Secured	Protected or guaranteed. "Secure" means to make a thing safe so when we speak of a "secured loan" we mean to make it safe or protect it by putting up something of value as collateral, as a guarantee of repayment.
Service Business	A retail business which deals in activities for the benefit of others. If you go to a doctor or lawyer you will be sent a bill marked "for services rendered". In that sense the doctor or lawyer is engaged in a "service business" the same as a laundry, auto repair shop or that part of a filling station business concerned with tire repairs.
Service Contract	An agreement between two parties where one party agrees to provide a service to the other.
Share	One of the equal parts into which the ownership of a corporation is divided. A "share" represents a part ownership in a corporation. How many "shares" you hold represents how much ownership you have. Of course, you can own "shares" in a firm without participating directly in the business. But in a small business, even if it is a corporation, the chances are that the owners participate or share the management responsibilities.
Shopping Goods	Expensive items worth comparative shopping (e.g., cars, appliances).
Short/Medium-Short Channel of Distribution	A path of a product from the producer to the consumer involving few or no middlemen. Short channels of distribution are usually used to distribute goods that are bulky, heavy, or perishable (e.g., fresh fruit, automobiles), to target customers that are located in one or a few geographic locations.

Short-term Loan	See Current Liabilities.
Site	A plot of ground set aside for a particular use. The business "site" may or may not be owned by the business owner and it is often better to rent a "site" when a business is getting started. For many businesses, particularly retail businesses, the proper "site" is most important because the location of the business may determine the number and kinds of available customers.
Small Business	SBA defines a small business as one that is independently owned and operated, not dominant in its field and meets employment or sales standards developed by the Small Business Administration. In general, a firm qualifies as a small business if the following criteria are met: 1) Wholesale - not more than $9.5 million annual sales, 2) Retail or service - not more than $2 million annual sales, and 3) Manufacturing - not more than 250 employees. 3) Manufacturing - not more than 250 employees
Social Marketing Concept	A viewpoint held by management stressing satisfaction of customer needs and wants as the best method of achieving company objectives but also considering the best long-run interests of society as a whole in decision-making.
Sole Proprietorship	Subject to exclusive ownership. A "proprietor" is one who owns a business and a business owned by one person is called a "proprietorship."
Specialty Goods	A brand name item that consumers are willing to insist on (e.g., Crest* toothpaste, Gillette Foamy* shaving cream). *Trademark
Stabilizing	To make stable; to be less subject to ups and downs. Like a ship on the ocean, a business may run into a "rough sea" of changing conditions. The business "stabilizes" when it is not affected by these changes or when the conditions themselves are less fluctuating. Successful businesspersons look for "stabilizing" methods to smooth out the ups and downs - either by diversifying into products which are more "stable", eliminating the factors which cause the ups and downs - particularly the downs - or by operating on a level that minimizes the effects of the fluctuations.

Staple	A convenience good which is bought regularly (e.g., food, health aids).
Starter Gap	Formed by disarranging the display to make it appear that merchandise has already been purchased from it. Starter gaps serve to overcome the customer's reluctance to disturb a display.
Statistics	A collection of accurate numerical data; classified facts which can be stated in numbers. There are "statistics" of interest to a businessperson in every community. The local census figures are "statistics" as are the physical count of the number of businesses in a particular place. A business gathers "statistics" by counting the number of customers coming into the store on a given day. Statistics are useful to a small business because they are some of the facts needed to base good decisions.
Stock	(1) An ownership share in a corporation (another name for a share). (2) accumulated merchandise. The things which a merchant has available for sale is referred to as "stock" and when he/she puts those things out for display, we say he/she is "stocking" the shelves.
Subsistence Income	The portion of disposable income which is spent on necessities such as food, clothing, shelter, utilities, local transportation, insurance and debt payments. Subsistence income is the money available to maintain a reasonable standard of living.
Tangible	Something that is real. Literally, "tangible" means that the thing is such that you can touch it but the meaning for business is something which can be seen and evaluated. We speak of "tangible" assets and we mean those real or touchable assets that have a value and can be converted, if need be, into cash. The "intangible" assets of a business would be those things which may be of value but can't be measured or objectively evaluated, as for example, the goodwill that a business has built up.
Target Market	A particular segment of the total market of a product toward which the marketing effort is aimed.
Tax Liability	A current liability; amount owed the government for taxes.

"Tax Option" Subchapter S Corporation	A form of business through which the corporation itself pays no income tax. Corporate earnings are viewed as "partnership income" to the stockholders thus avoiding the double tax on dividends.
Taxes	A business is subject to a wide variety of taxes, many of which are quite different from individual taxes. The types of taxes, methods and timing of payment, and to whom payment should be made should be checked with an accountant and the taxing authorities.
Terms of Sale	The conditions concerning payment for a purchase. A very important source of saving. For example, 2/10; N/30 terms mean that if payment is made within ten days you can take a 2% discount otherwise you must pay in full within 30 days.
Tie-in Display	Arrangement of different items of the same brand together.
Total Market	All the potential buyers of a particular product.
Trade Credit	Permission to buy from suppliers on open account. When you buy business supplies on credit you are really borrowing from the supplier - you have the loan of whatever he/she is selling you until it is paid for. Often the supplier extends this service for a period of time (usually 20 to 30 days) without charging interest, but it is not uncommon for him/her to charge interest if the amount is large and the time for repayment is extended. "Trade credit" is useful to small businesspersons and they should make it a point to keep their reputation good so that they may continue the practice.
Transfer	To remove from one place to another or from one person to another. One of the main services of banks is to allow the efficient "transfer" of funds. The whole business of checks is a convenient way to accomplish the transfer of money without the need for actually transferring the money physically.
Unsought Goods	Items that are new on the market and unfamiliar to consumers (e.g., cars with rotary engines, soft contact lenses, herbal shampoo).

Visibility of Product	How easily the product is seen; depends on package design, the number of facings, shelf height and shelf position (with respect to flow of customer traffic).
Volume	An amount or quantity (of business). The "volume" of a business is the total it sells over a period of time.
Wholesale	Selling for resale. (See retail for explanation).
Wholesaler	A middleman who buys products from the producer and sells them to retailers, institutions, industries, and government agencies; does not sell in significant amounts directly to the ultimate consumer.

Unit I
Student Notebook

Class Preparation Sheet

UNIT I

Specific Assignment

1. Complete "Participant Information Form"
2. Complete "Advantages/Disadvantages of Being An Entrepreneur"
3. Complete "Interest Inventory"
4. Optional: Complete "The Nature of Business"

Suggested Reading and Aids

Glossary of Terms

SBA Publication Order Form, SBA, Form No. 115A/115B

Small Business Reporter, Publication Index, Bank of America

Class Notes:

PARTICIPANT INFORMATION FORM

Name _____
(Last) (First) (Nickname--if any)

School _____ Phone _____

Homeroom No. _____ Homeroom Teacher _____

Home Address _____ Phone _____

City _____ State _____ Zip _____

Present Employer _____ Phone _____

Address _____ City _____ State _____

Please check the phrase that most closely describes your interest in the course.

____ Not interested at all--under a mandate to take it.
____ Taking the class for continuing education credit only.
____ I might be interested in starting a business.
____ I am going to start a business. When? _____
____ I am in the process of starting a business. Planned opening date: _____
____ I have started my own business. It opened its doors on _____
____ Had a business once--going to start another soon.
____ Other? _____

What business are you interested in? _____

What product(s) do you expect to sell? _____

_____

Where are you thinking of locating your business? _____

What do you expect the total gross sales to be for the first year? $____

What do you expect will be your profit from the first year's operation?
$_____

What form of business do you anticipate forming?
____Sole Proprietorship ____Partnership ____Corporation ____Don't Know

State three reasons for taking this course or what you expect from this course:
1) _____
2) _____
3) _____

-- HAND IN TO INSTRUCTOR

Advantages/Disadvantages
of Being
An Entrepreneur

Advantages	Disadvantages
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.
8.	8.
9.	9.
10.	10.

INTEREST INVENTORY

Name _____ Business Idea _____ Date _____

DIRECTIONS: Answer each question. Serious consideration to each question will give you an insight into yourself and the business you want to start.

1. Do you have good health--high energy level? _____

2. What do you like to do in your spare time (hobbies)? _____

_____

_____

3. What job(s) have you held that you liked best? _____

_____

4. What special talents do you have that you think will be of help in organizing and running your business? _____

_____

_____

_____

5. Check the interest areas that apply to your business idea:

_____ Involves outdoor work

_____ Involves indoor work

_____ Involves extensive contact with other people

_____ Involves little contact with other people

_____ Involves working with your hands

_____ Involves working with abstract ideas

_____ Involves the use of writing skills

_____ Involves working with machinery and/or tools

_____ Involves working with numbers and facts

6. Do you like to take charge of activities and/or work? Yes___ No___
   Give an example: _____

   _____

7. Can you lead other people and get them to go along with your ideas and efforts? Yes___ No___ Give an example: _____

   _____

8. Are you a good organizer of activities or workloads? Yes___ No___
   Give an example: _____

   _____

9. Are you a good organizer of your own personal records (e.g., current and canceled checks)? Yes___ No___

10. In the majority of cases, do you make a decision and act or do you hope the problem will solve itself? _____

    _____

11. When encountering adversity, problems or setbacks, do you tend to come back more determined or discouraged? _____
    Give an example: _____

    _____

12. Once you begin a project, do you normally see it through to a conclusion? Yes___ No___ Give an example: _____

    _____

13. Do you feel you are creative in improvising solutions to problems (e.g., instead of buying a $20 gadget, you would first try to improvise or adapt a less expensive solution)? Yes___ No___ Give an example: _____

    _____

14. Are you a person who is always open to changes and new ideas?
    Yes___ No___

- FILE IN BUSINESS PLAN SECTION -

THE NATURE OF SMALL BUSINESS

STUDENT ACTIVITY

1. Identify two characteristics that define a small business.

2. Name three industries that have successful small businesses operating.

3. Name two advantages/disadvantages of owning a small business.

4. Name two characteristics of a successful entrepreneur that you feel you possess.

5. Name two characteristics of a successful entrepreneur that you feel you will have to work on or acquire.

6. Identify two failure factors of a small business and discuss how you would offset each.

Unit II
Student Notebook

Class Preparation Sheet

UNIT II

Specific Assignment

1. Complete the case study "The Son-In Law"
2. Complete "The Right Business for You" in class
3. Complete the "Products/Services Offered by the Business"

Suggested Reading and Aids

Marketing for Small Business, SBA, SBB 89

National Directories for Use in Marketing, SBA, SBB 13

Class Notes:

THE SON-IN-LAW

Bus Nessman, having recently graduated from a community college with a degree in Liberal Arts, jointed VISTA. Bus could not decide what type of work he wanted as a career and thought that working in VISTA would give him time to decide. While serving the people of a poor section of Appalachia, Bus met Alice, the daughter of George Grinder, a prosperous owner of three stores in the nearby towns featuring a line of household products.

After Bus and Alice had completed their VISTA assignments, they married and Mr. Grinder offered Bus a position as marketing manager for his three stores. Since Mr. Grinder had only one child in the family, a daughter, he kind of liked having a son-in-law to talk with when the couple came over for dinner. He and Bus would usually watch football games after dinner on Sunday afternoons.

Since Mr. Grinder saw that Bus' physical appearance was a "natural" to attract people, he hoped for the time when Bus, after learning the ropes of the business, might take over the business after he retired. To aid in this development, Mr. Grinder bought a car for Bus to use when coordinating his activities between the three stores. In spite of his good feeling toward Bus, Mr. Grinder found himself observing questionable patterns in the way Bus handled the operation of the stores.

Bus seemed not to put the required time into the job that Mr. Grinder estimated would be the minimal amount for Bus to survey the three operations, to buy merchandise for each store, and to become familiar with all of Mr. Grinder's employees. Bus tended to work sporadically, sometimes showing up at the stores an hour late. He tended to take long lunch hours, and seemed to quit very early to go home for dinner.

In spite of his son-in-law's practices, Mr. Grinder's three stores were doing well. People knew that Mr. Grinder's houseware utensils and cookware were of the best quality and were sold at a fair price. In fact, there seemed to be more of a demand for some of his products than Mr. Grinder could keep on hand.

Mr. Grinder was still hoping that Bus would one day be able to take over his position and shoulder the responsibility for the continued success and growth of the stores. Mr. Grinder and his wife were now beginning to appreciate, more and more, the times when they could get away from the company for three or four days at a time to enjoy themselves. Mr. Grinder, in light of the way Bus seemed to be going, would call his son-in-law into his office and communicate these personal wishes to him hoping that Bus would become a more responsible business person. Mr. Grinder noticed that Bus would seem to shape up for a while but then slack off again.

Mr. Grinder thought that perhaps he had misjudged Bus' natural talents and that he had forced Bus into an area of the business that he did not like very much. Therefore, Mr. Grinder put Bus in direct control of the Samesville store as manager. This would involve less traveling for Bus and perhaps Bus would learn to consider the store his "baby," just as Mr. Grinder felt toward the total business that he had started from scratch.

But it seemed that Bus did not change very much. In some areas he seemed to get worse. He tended to keep a tight control on everything that went on in the store, even the trivial matters. He seldom went out into the store itself, but preferred to stay in his office at the back of the store. The employees began to become disgruntled and angry with his policies toward them. They began to feel that he did not care about them and their working conditions. He often ignored their requests for time off for special needs, and when they questioned him about it, he merely told them that there were other places in town where they could work.

A year later Bus was having serious problems with the store. It came to Mr. Grinder's attention when a man who had started working at the original store twenty years ago quit with no reasons stated. Mr. Grinder new this man personally and knew that he was a hard worker and was very loyal to the business. Mr. Grinder knew that the situation was now critical. He asked himself ... "What is Bus' problem?" ... "What could he have done to bring out Bus' potential?" ... "Should he finally admit that he must give up his dream of a son-in-law taking over the family business?"

SUGGESTED QUESTIONS FOR DISCUSSION:

1. Why do you think Bus wanted to join the business?

2. Bus is being presented with an ideal opportunity to become an entrepreneur. In your opinion, does Bus possess the personality characteristics of a successful entrepreneur? Compare Bus' personality with Mr. Grinder's.

3. What effect is Bus having on the business?

4. Do you think Bus can become a successful small businessman? Why or why not?

5. What suggestions do you have for Mr. Grinder? Be specific.

Owning and Operating a Small Business, Dr. Robert E. Nelson, Illinois State Board of Education & Department of Vocational and Technical Education at University of Illinois at Urbana-Champaign

THE RIGHT BUSINESS FOR YOU

DIRECTIONS: The items below should be considered when you decide to open your own small business. List the information called for as it applies to the business you wish to start. You may want to refer to the INTEREST INVENTORY.

YOUR FAMILY

1. Have you discussed your business idea with your family? Yes _____ No _____

   What was their initial reaction? _____

2. Do they realize the amount of your time and attention the business will require? Yes _____ No _____

   Do you intend to calculate this out and carefully explain it to them? Yes _____ No _____

   Are they willing to make some personal sacrifices to contribute to the success of the venture? Yes _____ No _____

3. Do you plan to use the help of your family in organizing and running your business? Yes _____ No _____

   If yes, how many hours per week can they contribute to the new business? _____

4. On the whole, do you feel your family will be a source of moral and emotional support to you should you begin this business? _____

   _____

TIME INVOLVEMENT

5. Can you devote more than a standard 40 hour week to the management of your own business? Yes _____ No _____

   If yes, 6 days _____, 7 days _____, number of hours per day _____, number of evening hours _____.

If no, note the reasons or conflicts for your time:
Family activities _____,
Church or Fraternal activities _____,
Recreation or sporting activities _____,
Other _____

Which of these activities can be reduced at least temporarily to give added time for the business? _____

Will you find it difficult to give up these activities? Yes _____
No _____

INCOME NEEDS

6. What is the monthly income necessary for personal and family living?
$_____

7. Do you expect to draw sufficient salary from your new business to meet these needs? Yes _____ No _____

8. Do you have outside sources of income, or sources within the family to offset a temporary reduction of salary during the start-up phase of your new business? Yes _____ No _____

9. When must you expect your business to be profitable enough to provide you with your total income needs? _____

DEMAND FOR YOUR PRODUCT/SERVICE

10. Specifically, what product/service do you plan to offer? _____
_____
_____

11. Who will be your major customer(s)? _____
_____
_____

12. In the desired locality, is there currently a demand for what your business will offer? Yes _____ No _____

If yes, how is that demand now being met? (List your competitors)

_____

_____

_____

How do you plan to attract customers from your competitors? (List the promotion techniques you will use.) _____

_____

_____

_____

_____

13. What special skills will you need to create and fulfill the demand for your product/service? _____

_____

_____

_____

YOUR WORKLOAD

List the duties that you will be performing in your business, then indicate with a check mark if you will like or dislike this particular duty and if you feel you have the ability or experience to do this job.

The work to be performed:	LIKE	DISLIKE	HAVE THE ABILITY	PROFICIENT/COMPETENT

- FILE IN BUSINESS PLAN SECTION -

PRODUCTS/SERVICES OFFERED BY THE BUSINESS

	Product/Service	Why is it purchased (necessary?)	Profit Margin (low, med, high)	Comments
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				

- FILE IN BUSINESS PLAN SECTION -

Unit III
Student Notebook

Class Preparation Sheet

Unit III

Specific Assignment:

1. Complete the "Personal Data Sheet" working copy

Suggested Reading and Aids:

Sources of Capital

A Venture Capital Primer for Small Business, SBA, MA 1.009

Class Notes:

SOURCES OF CAPITAL

Bank Line of Credit

Bank Loan

Bank Sight Draft

Commercial Bank Loan on Real Estate/Equipment

Commercial Paper

Community Development Projects

Corporation - Common Stock, Preferred Stock

Corporate Loan or Corporate Bonds (for existing business)

Factors

Farmers Home Administration (FHA)

Finance Companies

Friends and Relatives

Insurance Companies

Leasing

Life Insurance Cash Value

Partnership

Personal Equity in Assets

Personal Savings

Retained Earnings

Small Business Administration (SBA) Direct or Guaranteed

Small Business Investment Corporation (SBIC)

State and Federal Grants

Trade Credit

Trade or Bank Acceptances

Venture Capital Group

Warehouse Receipts

PERSONAL DATA SHEET

Name _____ Phone _____

Address _____ Marital Status _____

_____ Health _____

_____ Date of Birth _____

Career Objective: _____

_____

Education: _____

_____

_____

Work Experience: _____

_____

_____

_____

Special Skills: _____

_____

_____

References: _____ _____

_____ _____

_____ _____

_____ _____

- FILE A TYPED COPY IN THE BUSINESS PLAN SECTION -

BUSINESS OWNER/MANAGER
INTERVIEW FORM

Owner/Manager: _____ Phone: _____

Business Name: _____

Address: _____

Type of Business: _____ Product(s): _____

1. How long have you been in business? _____

2. What made you decide to go into business for yourself? _____

_____

3. What background, experience did you have that applied to this business?

_____

_____

_____

4. Describe your personal characteristics (likes, dislikes, interests, etc.) that you think were most helpful in starting your own business.

_____

_____

5. Has your own business enabled you to realize your goals, satisfy your wants in life? Specify. _____

_____

_____

_____

6. Has your business had the approval and backing of your family? _____

_____

7. What is your legal form of business (sole proprietorship, partnership corporation)? Why did you select this form? _____

_____

_____

8. What problems and obstacles did you face when starting your business?

_____

_____

_____

One or two years after starting? _____

_____

9. What sources of information did you use when starting your business? Which ones do you think were the most important? Why? _____

_____

_____

10. Would you add any sources if you were to start another business today?

_____

_____

11. How much time do you devote to your business each week? _____

_____

12. What business/trade association(s) do you belong to? How important are they? _____

_____

_____

13. How many people work in your business? _____

What is the projected number of employees for next year? _____

14. Who selects, trains and manages the employees? _____

_____

15. What qualifications do you look for in an employee? _____

_____

16. How do you locate potential employees? _____

_____

17. What incentives do you offer employees? _____

_____

18. Which areas of business operation or management concern you the most? Why? _____

_____

_____

19. Would you elaborate on what you consider to be the most important contributing factors to the success of your business? _____

_____

_____

_____

20. Would you identify the important steps an individual should follow in starting a small business? _____

_____

_____

_____

_____

21. What advice would you give a person who is contemplating opening a small business? _____

_____

_____

_____

_____

_____

_____

22. If you did not have your own business, what kind of job would you like to have? _____

23. It is suggested that the student use the remaining space to list questions related to his/her own business idea. _____

Unit IV
Student Notebook

Class Preparation Sheet

UNIT IV

Specific Assignment

1. Complete "List of Similar Small Businesses"

2. Complete first interview of business owner/manager using "Business Owner/Manager Interview Form"

3. Complete "Legal Forms of Business Organization"

4. Type the "Personal Data Sheet." This should be typed on white unruled paper. This data sheet will become part of the business plan and be used in the loan application process. FILE THE TYPED COPY IN THE BUSINESS PLAN SECTION.

Suggested Reading

Legal Forms of Business: Advantages and Disadvantages

Legal Services for Small Retail and Service Firms, SBA, SMA 118

Liability Characteristics of Forms of Business

Selecting the Legal Structure for Your Firm, SBA, MA 6.004

Suggested Sources of Regulatory Information

Class Notes:

LIST OF CONCERNS AND SIMILAR SMALL BUSINESSES

Name _____ Business Idea _____

1. List the questions and/or concerns you have about opening your own business. _____

_____

_____

_____

_____

_____

2. Use the yellow pages of the telephone directory or a city directory to list businesses similar to your business idea. You may look for businesses similar to your business idea outside of your market area.

	Name	Address	Telephone
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			

3. Select two or three of the businesses from the list in question 2 and conduct two interviews using the BUSINESS OWNER/MANAGER INTERVIEW FORM (Unit V).

a. _____

b. _____

c. _____

- FILE IN BUSINESS PLAN SECTION -

SOLE PROPRIETORSHIP

Advantages	Disadvantages
Easiest to start	Personally liable for business debts
Greatest freedom in decision making	Illness/death endangers the continuance of the business
Maximum authority over operations	Growth limited to personal motivation
Tax advantage to the smaller owner	Problem of mixing personal and business affairs
	Difficulty raising capital

Liability Characteristic

Personally liable for all obligations

Class Notes:

GENERAL PARTNERSHIP

Advantages	Disadvantages
Broader management base	Personally liable for business debts
Added source of capital	Illness/death, bankruptcy of one partner dissolves the partnership
Profit or loss passed through partners, and affects personal income tax	Difficult to rid oneself of a bad partner
Can establish fringe benefit programs for employee motivation or tax advantages	Divided authority, partner's decisions binding on the partnership

Although no legal filings are required when forming a partnership, it is urged that you form:

1. A buy-sell agreement

2. Articles of Co-Partnership
   (This document should clearly state duties, capital contributions, procedure for sharing profits/losses, withdrawals of assets permitted, withdrawal of partner procedure, and procedure for dissolving partnership.)

Liability Characteristic

Each partner personally liable for full extent.

Class Notes:

LIMITED PARTNERSHIP

Advantages	Disadvantages
Limited partner is liable to the extent of his investment	Usually one general partner has unlimited liability
Enables general partners to acquire additional capital	Special partners cannot participate in management and operation of the business
Continuation of partnership entity on death of members may be written into contract	Limited partnership agreement must be filed with state and the register of deeds

Liability Characteristic

General Partner--Personally liable to full extent
Limited Partner--Liable to limit of invested capital

Class Notes:

CORPORATION

Advantages	Disadvantages
Legal entity	Extensive record keeping and revising
Limited liability	Closely regulated
Easier to raise capital	Double taxation
Perpetual existence	Expensive to organize
Possible tax advantage	

Liability Characteristic

Shareholders are responsible to the extent of their investment

Class Notes:

"TAX OPTION" (Subchapter "S") CORPORATION
(Now called "S" CORPORATIONS)

Advantages	Disadvantages
Taxes somewhat like a partnership	Limited to active types of income (passive-nonoperating income can disqualify)
Eliminates "double taxation" of dividends	Limited basically to one class of stock (with exceptions)
Has most of the flexibility of a corporation	Some states do not recognize (Wisconsin does)
Good idea if a loss is expected the first year of business	Limited to 35 shareholders
	Limited flexibility

Liability Characteristics

Limited liability as in a corporation

Class Notes:

LEGAL FORMS OF BUSINESS ORGANIZATION

DIRECTIONS: Describe your contemplated business as if it were organized under each of the different legal forms. FILE IN BUSINESS PLAN SECTION of your notebook.

1. Proprietorship (definition) _____

   Some drawbacks or concerns: _____

   _____

   Tax Advantage for your business idea if it were a proprietorship:

   _____

2. Partnership (definition) _____

   _____

   The Articles of Co-Partnership would specifically state: _____

   _____

   Tax Advantage for your business idea if it were a partnership: _____

   _____

3. Corporation (definition) _____

   _____

   _____

   Open or closed corporation? _____

   Tax Advantage for your business idea if it were a corporation: _____

   _____

4. Which form of business organization do you feel would be best for your beginning years in business? _____

   Reason: _____

   _____

- FILE IN BUSINESS PLAN SECTION -

SUGGESTED SOURCES OF REGULATORY INFORMATION

	(Madison Addresses)
STATE COMMISSIONER OF INSURANCE	123 West Washington Avenue (608)266-3585
STATE DEPARTMENT OF INDUSTRY, LABOR AND HUMAN RELATIONS (DILHR)	
- Guide for Employment of Minors	201 East Washington Avenue (608)266-6860
- Summary of State Labor Standards	201 East Washington Avenue (608)266-6860
- Safety and Health (OSHA) Requirements	201 East Washington Avenue (608)266-3151
STATE DEPARTMENT OF TRANSPORTATION	4802 Sheboygan Avenue (608)266-2878
STATE DEPARTMENT OF NATURAL RESOURCES	101 South Webster (608)266-2121
STATE DEPARTMENT OF REVENUE	125 South Webster (608)266-1611
SECRETARY OF STATE	State Capitol (608)266-5801
DANE COUNTY REGISTER OF DEEDS	210 Monona Avenue City-County Building (608)266-4141
DANE COUNTY CLERK	210 Monona Avenue City-County Building (608)266-4121
COUNTY OF DANE (Information About Community Services)	210 Monona Avenue City-County Building (608)266-6366
CITY OF MADISON - CITY CLERK	210 Monona Avenue City-County Building (608)266-4601
INTERNAL REVENUE SERVICE	212 East Washington Avenue 1-800-452-9100

*State Offices Zip - 53702
City-County Building Zip - 53709

Unit V
Student Notebook

Class Preparation Sheet

UNIT V

Specific Assignment

1. Complete "My Insurance Needs"
2. Complete "Sources of Information--Student Business Idea Work Sheet"
3. Complete Second interview of business owner/manager using "Business Owner/Manager Interview Form"

Suggested Reading and Aids

Sources of Information

Insurance Checklist for Small Business, SBA, SMA, 2.018

Class Notes:

MY INSURANCE NEEDS

Check (✓) the types of insurance your business will need	By What Date will the business need this insurance?	Approximate cost?	Who can provide this insurance?
___ Workmans Compensation	_____	$_____	_____
___ Sales Tax Bond	_____	_____	_____
___ Fire	_____	_____	_____
___ Property	_____	_____	_____
___ Liability	_____	_____	_____
___ Vehicle	_____	_____	_____
___ Fidelity Bond	_____	_____	_____
___ Security	_____	_____	_____
___ Business Interruption	_____	_____	_____
___ Medical	_____	_____	_____
___ Life	_____	_____	_____
(Other)			
___ _____	_____	_____	_____
___ _____	_____	_____	_____
___ _____	_____	_____	_____

- FILE IN BUSINESS PLAN SECTION -

76

SOURCES OF INFORMATION
(Class Notes)

Sources	Information Available
1. Library	
2. SBA	
3. SCORE/ACE Chapter	
4. Chamber of Commerce	
5. Attorney	
6. Accountant	
7. Insurance Agent	
8. Banker	
9. State Employment Commission	
10. Trade Associations	
11. Other Small Business Owners	

Other

_____

_____

SOURCES OF INFORMATION
(Student Business Idea Work Sheet)

Source	Types of Information Available From This Source That Would Be Useful For My Business
1. Library:	
2. SBA:	
3. SCORE/ACE Chapter:	
4. Chamber of Commerce:	
5. Attorney:	
6. Accountant:	
7. Insurance Agent:	
8. Banker:	
9. State Agencies:	
10. Trade Associations:	
11. Other Small Business Owners:	

- FILE IN BUSINESS PLAN SECTION -

BUSINESS OWNER/MANAGER
INTERVIEW FORM

Owner/Manager: _____ Phone: _____

Business Name: _____

Address: _____

Type of Business: _____ Product(s): _____

1. How long have you been in business? _____

2. What made you decide to go into business for yourself? _____

_____

3. What background, experience did you have that applied to this business?

_____

_____

_____

4. Describe your personal characteristics (likes, dislikes, interests, etc.) that you think were most helpful in starting your own business.

_____

_____

5. Has your own business enabled you to realize your goals, satisfy your wants in life? Specify. _____

_____

_____

_____

6. Has your business had the approval and backing of your family? _____

_____

7. What is your legal form of business (sole proprietorship, partnership corporation)? Why did you select this form? _____

_____

_____

8. What problems and obstacles did you face when starting your business?

_____

_____

_____

One or two years after starting? _____

_____

9. What sources of information did you use when starting your business? Which ones do you think were the most important? Why? _____

_____

_____

10. Would you add any sources if you were to start another business today?

_____

_____

11. How much time do you devote to your business each week? _____

_____

12. What business/trade association(s) do you belong to? How important are they? _____

_____

_____

13. How many people work in your business? _____

What is the projected number of employees for next year? _____

14. Who selects, trains and manages the employees? _____

_____

15. What qualifications do you look for in an employee? _____

_____

16. How do you locate potential employees? _____

_____

17. What incentives do you offer employees? _____

_____

18. Which areas of business operation or management concern you the most?

_____

Why? _____

_____

19. Would you elaborate on what you consider to be the most important contributing factors to the success of your business? _____

_____

_____

_____

20. Would you identify the important steps an individual should follow in starting a small business? _____

_____

_____

_____

_____

21. What advice would you give a person who is contemplating opening a small business? _____

_____

_____

_____

_____

_____

_____

22. If you did not have your own business, what kind of job would you like to have? _____

23. It is suggested that the student use the remaining space to list questions related to his/her own business idea. _____

Unit VI
Student Notebook

Class Preparation Sheet

Unit VI

Specific Assignment

1. Complete the "Personal Financial Statement"

Suggested Reading and Aids

Tips on Getting More For Your Marketing Dollars, SBA, MA 4.008

Learning About Your Market, SBA, MA 4.010

Marketing Research Procedures, SBA, SBB 9

Marketing Checklist for Small Retailers, SBA, MA 4.012

Types of Information Needed to Make Marketing Decisions

Personal Financial Statement

Sources of Marketing Research Information

Marketing for Small Business, SBA, SBB 89

Class Notes:

TYPES OF INFORMATION NEEDED TO MAKE MARKETING DECISIONS

A. Number of actual and/or potential customers

B. Demographic characteristics of customers
   1. Age, race, sex
   2. Occupation, religion
   3. Income
   4. Size of family
   5. Location and lifestyle
      a. Suburb, rural or inner-city dweller
      b. Multi-unit dweller/single unit dweller
      c. Owner or renter of home

C. How potential customers buy
   1. Planned purchase vs. impulse buying
   2. Cash or credit
   3. In large or small quanities

D. When potential customers buy
   1. Days of the week or month
   2. Seasons of the year

E. Why potential customers buy
   1. Buying motives
   2. Extra incentives
   3. Brand preference

F. Where potential customers buy - Competitors

G. Market conditions
   1. Number of competitors
   2. Location of competition
   3. Pricing structure
   4. Product structure
   5. Product development
   6. Growth potential
   7. Promotional activities

SOURCES OF MARKETING RESEARCH INFORMATION

A. Within a firm
   1. Stock control records
   2. Past sales records
   3. Invoice and receiving records
   4. Records of returns, complaints
   5. Records of markdowns, reorders
   6. Advertising records
   7. Weather records
   8. Salespersons

B. Outside the firm
   1. Census data
      a. Statistical abstracts of the United States
         1) Population, crime, education, and climate information
         2) Social, political, industrial, and economic organization
      b. City and county data book
         1) Statistics on population, labor and housing
         2) Statistics on wholesale and retail trade, industries, agriculture, and services
      c. Census of population
         1) Information on age, sex, family status, employment status and income of individuals
         2) Information divided by state, county, city and Metropolitan areas
      d. Census of business
         1) Retail store data by county, city, and classification of business
            a) Kind of business group
            b) Number of stores
            c) Total sales and sales by commodity
            d) Employment
         2) Similar information for service, wholesale operations
   2. Project and research reports
      a. From:
         1) Governmental agencies
         2) Colleges and universities

3) Private Foundations (Ford Foundation)

4) Trade associations (Chamber of Commerce)

b. Sources of:

1) Library card catalog

2) Sales Management Survey of Buying Power

3) Industrial Marketing Business Publication Guide

3. Commercial data

a. Research firms

1) A. C. Nielsen

2) Market Research Corp. of America

3) Dun and Bradstreet

b. Management consultant firms

1) A. T. Kearney

2) Opinion Research Corp.

c. Current periodicals

1) Wall Street Journal

2) Business Week

3) U. S. News and World Report

4. Outside Agencies

a. CPA's

b. Advertising/fashion experts

c. Retail/wholesale planners

5. Other

a. _____

b. _____

c. _____

d. _____

e. _____

(SAMPLE)

CONSUMER SURVEY - HOUSEHOLD ACCESSORIES

Name _____ Date _____

(1) Sex

_____ Female
_____ Male

(2) Marital Status

_____ Married
_____ Single
_____ Widowed
_____ Other

(3) Where you usually shop

_____ East Towne
_____ West Towne
_____ Hilldale
_____ Westgate
_____ Other (list)

_____

(4) How often do you shop?

_____ twice a week
_____ once a week
_____ every other week
_____ once a month
_____ other (list)

_____

(5) What store(s) were you shopping in?

_____ Furniture
_____ Clothing
_____ Grocery
_____ Household Accessories
_____ Health & Beauty Aids
_____ General Merchandise
_____ Other (list)

_____

(6) Did you find the products you were seeking?

_____ Yes
_____ No

(7) Service was:

_____ Excellent
_____ Good
_____ Fair
_____ Poor

(8) Did you have difficulty in obtaining unique household accessories?

_____ Yes
_____ No
_____ Sometimes

(9) What type of household accessories would you like to see sold in this area?

_____ Paintings, wall hangings
_____ Lamps, shades
_____ Decorative items such as: ash trays, vases, book ends, sculpture and ceramic pieces
_____ Clocks
_____ Pewter, brass and copper items
_____ Unfinished furniture

MARKET INFORMATION

DIRECTIONS: You should be able to answer the following sample of questions after you have gathered your marketing information. Record the information requested by reviewing materials you have collected. Locate information for which you do not have answers.

CUSTOMER

1. What is the population of your business area? _____

_____

2. What is the make up of your population?

Age range _____

Education _____

Ethnic group _____

Income _____

Occupation _____

Religion _____

3. What is the populations total and per capita income?

Total $ _____ Per capita $ _____

4. Where does the population live?

_____ Rent _____ Single Family Unit

_____ Own _____ Multi-Family Unit

PRODUCT

5. Who are some of your suppliers (name, city, state)?

_____

_____

_____

_____

_____

6. How are the goods shipped to you? _____

7. How long does it take from the date you place an order until you receive that order? _____

8. What types of return policies are offered by your suppliers? _____

_____

_____

9. What types of credit policies do they offer you? _____

_____

_____

PRICE

10. What is the established retail price for your major product? _____

_____

11. During what months do markdowns or sales on your major products occur?

_____

LOCATION

12. Did you do a traffic study for your location? Yes _____ No _____

Do you consider your traffic volume to be:

Heavy _____ Adequate _____ Light _____

Is public transportation available? Yes _____ No _____

Type _____

13. Have you checked into the zoning regulations for the area? Yes _____

No _____ Can your business idea comply? Yes _____ No _____

14. Is the city growing in the direction of your business location?

Yes _____ No _____

15. Do you consider your location easily accessible? Yes _____ No _____

16. How many competitors are in the vicinity of your location? _____

_____

17. What attracts people to shop in the area in which your business is to be located? _____

_____

_____

18. What is the nature and prosperity of business and industry in the vicinity? _____

_____

19. What is the gross annual sales of similar types of businesses in the vicinity? _____

20. What banking and credit facilities are available in the area? _____

_____

21. What advertising media is available? _____

_____

22. What are the parking facilities? _____

_____

23. How close are other businesses that attract the type of customer your business will need? _____

_____

24. Describe the appearance of the surrounding building and area. _____

_____

_____

PROMOTION

25. What types of media will you primarily use for promotions? _____

_____

26. Which type of advertising media do you feel would be most effective for your money spent? _____

Why? _____

27. What type of advertising is most often used by your competitors? ____

_____

28. Who will create your advertisements and promotions? _____

_____

_____

EMPLOYEES

29. How many employees do you have? _____

30. What qualifications do you look for in potential employees? _____

_____

_____

TENTATIVE CONCLUSION

31. What is the tentative conclusion about your small business idea?

_____

_____

What facts support this conclusion? _____

_____

_____

What would have to change in order that you would change your conclusion? _____

_____

Unit VII
Student Notebook

Class Preparation Sheet

Unit VII

Specific Assignment

1. Complete "Factors to Consider in Selecting the Community"
2. Complete "Factors to Consider in Selecting a Store Location Within the Community"
3. Complete "Should Property Be Rented, Leased or Purchased?"
4. Complete "Factors to Consider in Layout Planning"
5. Complete "Layout for Business"
6. Type a clean copy of the information in the "Personal Financial Statement" on a single sheet of paper. FILE IN BUSINESS PLAN SECTION.

Suggested Readings and Aids

Locating or Relocating Your Business, SBA, MA 2.002

Using Census Data to Select a Store Site, SBA, SMA 154

Using a Traffic Study to Select a Retail Site, SBA, MA 2.021

Factors to Consider in Selecting the Community

Factors to Consider in Selecting a Store Location Within the Community

Should Property Be Rented, Leased or Purchased?

Should You Lease or Buy Equipment, SBA, MA 249

Efficient Lighting for Small Stores, SBA, SMA 157

Signs and Your Business, SBA, SMA 161

Store Location: "Little Things" Mean A Lot, SBA, MA 2.024

Small Store Planning and Design, SBA, SBB 79

Tools for Layout Planning/Evaluation of Layout

Class Notes:

FACTORS TO CONSIDER IN SELECTING THE COMMUNITY

	(✔) When You Have Evaluated the Factor	Comments with Respect to My Business Idea
1. Population of town and surrounding area		
2. Age and nature of population		
3. Growth rate of town and area		
4. Per capita income of population		
5. Nature and prosperity of industries		
6. Number of the type of business you are considering that already exist		
7. Number of related businesses in area		
8. Total and per capita retail sales		
9. Gross annual sales of type of businesses in area		
10. Climate		
11. Rent range of buildings		
12. Banking and credit facilities available		
13. Insurance rates		
14. Advertising media available		
15. Taxes and government		
16. Transportation systems available		
17. Labor conditions		
18. Personal factors a. Personal preference b. Family, friends		

- FILE IN BUSINESS PLAN SECTION -

FACTORS TO CONSIDER IN SELECTING A STORE LOCATION WITHIN THE COMMUNITY

	(✔) When You Have Evaluated the Factor	Comments with Respect to My Business Idea
1. Easy to reach -- transportation available		
2. Parking facilities nearby		
3. Number of vehicles and/or pedestrians passing by		
4. Street conditions		
a. Well lighted		
b. Not too crowded		
c. In good condition		
d. Facilitate deliveries from suppliers		
5. Rent and insurance rates		
6. Nearness of other stores attracting type of customer you want		
7. Position of location within the block; closer to the corner, the better		
8. Appearance of existing buildings and surrounding area		
9. Zoning restrictions		
10. Space for enlargement		

- FILE IN BUSINESS PLAN SECTION -

SHOULD PROPERTY BE RENTED, LEASED OR PURCHASED?

	(✓) When You Have Evaluated the Factor	Comments with Respect to My Business Idea
1. How much cash is available for operating expenses?		
2. What is the minimum length of time you can lease?		
3. Is option to purchase property available?		
4. Would you be able to sublease the property if necessary?		
5. On what basis would rent be determined?		
6. Who will pay building repair and alteration costs?		
7. Who will pay the utility bill?		
8. Are there restrictions on the type of merchandise you can sell?		
9. Does building meet minimum fire and building code standards?		
10. What happens if there is a fire or the building is condemned?		

- FILE IN BUSINESS PLAN SECTION -

FACTORS TO CONSIDER IN LAYOUT PLANNING

	(✔) When You Have Evaluated the Factor	Comments with Respect to My Business Idea
A. External		
1. Store Frontage		
2. Loading/unloading facilities		
3. Number of entrances		
4. Appearance/image		
B. Internal		
1. Merchandise to be offered		
2. Physical size		
3. Physical shape		
4. Display area/window display area		
5. Structural/utility features		
a. frontage		
b. supports		
c. power		
d. water		
e. drainage		
6. Appearance/image		

- FILE IN BUSINESS PLAN SECTION -

TOOLS FOR LAYOUT PLANNING

A. Scale-model layouts

B. Scale-templates

C. Flow Charts

D. Professional help

1. Architect
2. Engineer
3. Planning Service
4. Manufacturer
5. Advertisements
6. Study Competitors
7. Experts

E. Other

EVALUATION OF LAYOUT

A. List pro/con for each layout

B. Calculate cost for each layout

1. General
2. Labor
3. Material
4. Depreciation
5. New fixtures/facilities
6. Installation
7. Other

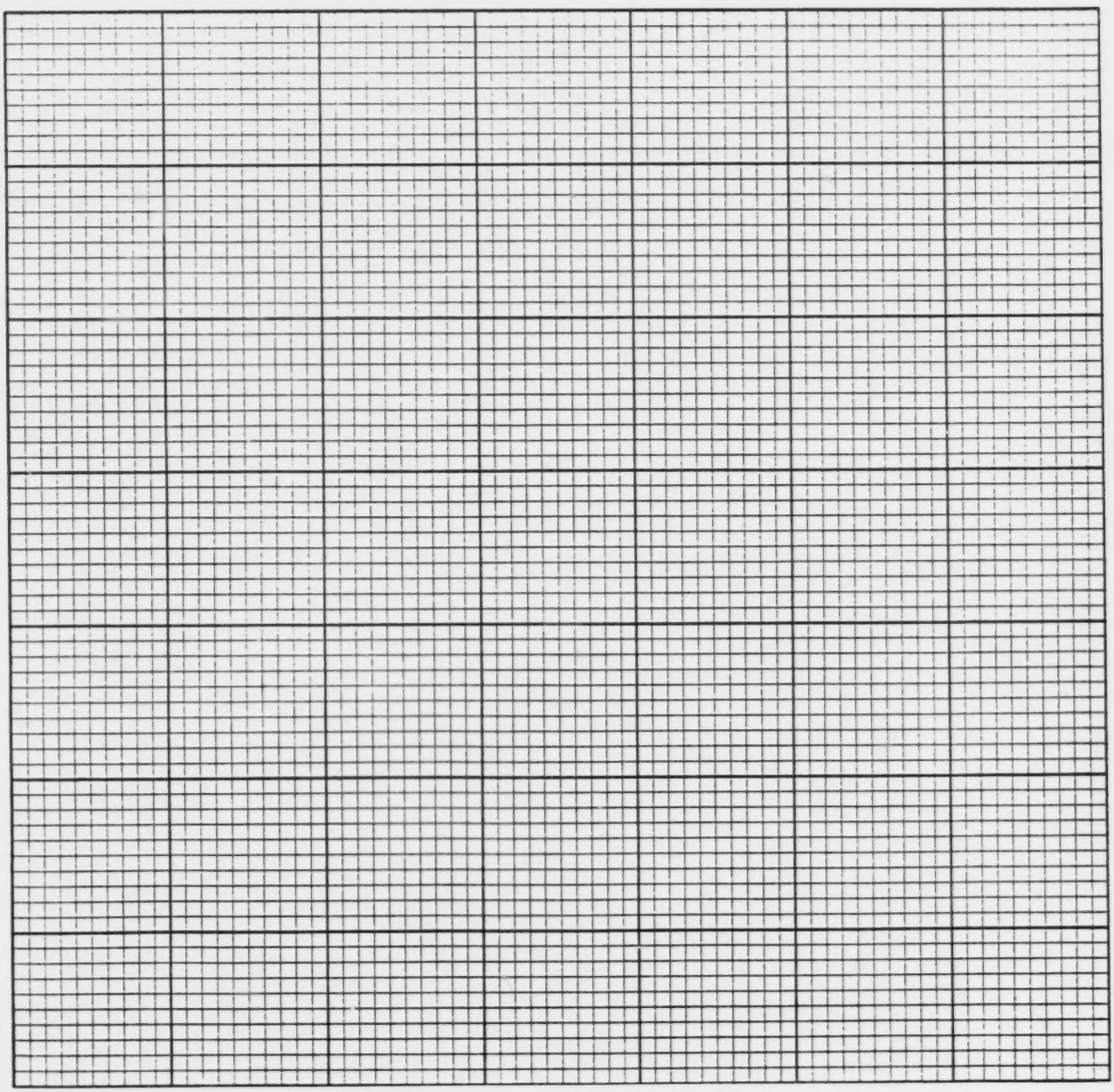
C. Compare

1. Before/after returns
2. Output per employee
3. Output per square foot

D. Other

LAYOUT FOR BUSINESS

Directions: Draw a simple layout of your business that can provide for customer and employee convenience and will save time and energy. Be sure to identify fixtures, storage, aisles, windows, doors, registers and any other physical aspects associated with your business. Indicate Scale



- FILE IN BUSINESS PLAN SECTION -

Unit VIII
Student Notebook

Class Preparation Sheet

Unit VIII

Specific Assignment

1. Complete a layout drawing
2. Complete "Merchandise Inventory"
3. Complete "Merchandise Cycle"
4. Complete "Capital Outlay"

Suggested Reading and Aids

Factors Affecting Merchandise Cycle Planning

Sources of Merchandise Cycle Information

Class Notes:

SOURCES OF MERCHANDISE CYCLE INFORMATION

	(✓) If this will Impact on Your Planning	Comments with Respect to My Business Idea
Merchandise/Trade Shows		
Industry/Trade Magazines		
Buying Guides		
Past Advertising		
Past Records		
Sales Tax Figures-City, County, State		
Competition		
Experts		
Suppliers		
Equipment Manufacturers		

- FILE IN BUSINESS PLAN SECTION -

FACTORS AFFECTING MERCHANDISE CYCLE PLANNING

	(✓) If this will Impact on Your Planning	Comments with Respect to My Business Idea
Long Run vs Short Run Planning/Goals/Policies		
Taxation		
Labor Supply		
Personal Income (Market)		
Social Changes		
Economic Changes		
Rate of Population Growth		
State of Consumers Opinions and Conclusions		
Development of Competition		
Business Money Supply		
Scheduling of Holidays		

- FILE IN BUSINESS PLAN SECTION -

MERCHANDISE INVENTORY

DIRECTIONS: Complete each step before going to the next one.

1. List the major inventory items in Column A.

2. Estimate the number of units you think you will sell in one year. Enter this figure in Column 1. Do this for each inventory item before moving to the next step.

3. Enter the selling price for each inventory item in Column 2. Do this for each inventory item before moving to the next step.

4. Multiply the figure in Column 1 by the figure in Column 2 and enter in Column B for each inventory item.

5. State in Column 3 the month you think will have the highest sales for each inventory item.

6. State in Column 4 the month you think will have the lowest sales for each inventory item.

7. Make comments in Column 5 which will help you remember your reasoning for your sales and inventory forecasting.

8. When completed, FILE IN BUSINESS PLAN SECTION.

Notes:

MERCHANDISE INVENTORY

Business _____ Date _____

Code Number	Column A Inventory Item	Column 1 # of units you think will sell in one yr.		Column 2 $ Value of each Unit Sold		Column B Total $ Sales for a Unit	Column 3 Month of Highest Sales	Column 4 Month of Lowest Sales	Comments
1)		#	x	$	=	$			
2)			x		=				
3)			x		=				
4)			x		=				
5)			x		=				
6)			x		=				
7)			x		=				
8)			x		=				
9)			x		=				
10)			x		=				
11)			x		=				
12)			x		=				
13)			x		=				
14)			x		=				
15)			x		=				

8-5

- FILE IN BUSINESS PLAN SECTION -

MERCHANDISE CYCLE

DIRECTIONS: Complete each step before going to the next one.

1. Transfer the items in Column A on the MERCHANDISE INVENTORY sheet to Column A on the MERCHANDISE CYCLE sheet.

2. Transfer the Total $ (dollar) Sales for a Unit (Column B on the MERCHANDISE INVENTORY sheet) to Column B on the MERCHANDISE CYCLE sheet.

   Complete Steps 1 and 2 before proceeding.

3. Estimate the percentage of sales for each Inventory Item by month in the odd number Columns (1, 3, 5, etc.). Finish this step for each inventory item before moving to the next inventory item. The total percentage summed across should equal 100%.

4. Enter the monthly sales per inventory unit (even numbered columns) by multiplying Column B by each percentage in the odd numbered columns. (Example: Column B x Column 1 = Column 2, Column B x Column 3 = Column 4, etc.) Do each inventory item separately. Finish this step before moving to the last step.

5. Total each of the even numbered Columns (2, 4, 6, etc.). You will now have your projected sales for each month of your first year of operation.

6. When completed, FILE IN BUSINESS PLAN SECTION.

Notes:

MERCHANDISE CYCLE

Code No.	Column A Inventory Item	Column B Total $ Sales for A Unit	Column 1 JANUARY (%)	Column 2 JANUARY ($)	Column 3 FEBRUARY (%)	Column 4 FEBRUARY ($)	Column 5 MARCH (%)	Column 6 MARCH ($)	Column 7 APRIL (%)	Column 8 APRIL ($)
1)	_____	$_____ X	_____ % =	$_____	_____ %	$_____	_____ %	$_____	_____ %	$_____
2)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
3)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
4)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
5)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
6)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
7)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
8)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
9)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
10)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
11)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
12)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
13)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
14)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
15)	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

TOTAL GROSS SALES	JANUARY SALES	_____	FEBRUARY SALES	_____	MARCH SALES	_____	APRIL SALES	_____

Column 9	Column 10	Column 11	Column 12	Column 13	Column 14	Column 15	Column 16
MAY		JUNE		JULY		AUGUST	
(%)	($)	(%)	($)	(%)	($)	(%)	($)
____%	$____	____%	$____	____%	$____	____%	$____
MAY SALES		JUNE SALES		JULY SALES		AUGUST SALES	

Tape to Page 8-7

Column 17	Column 18	Column 19	Column 20	Column 21	Column 22	Column 23	Column 24	
SEPTEMBER		OCTOBER		NOVEMBER		DECEMBER		Ck =
(%)	($)	(%)	($)	(%)	($)	(%)	($)	100%
%	$	%	$	%	$	%	$	
SEPTEMBER SALES		OCTOBER SALES		NOVEMBER SALES		DECEMBER SALES		

Tape to Page 8-8

Unit IX
Student Notebook

Class Preparation Sheet

Unit IX

Specific Assignment

1. Complete "Merchandise Cycle"
2. Complete "Capital Outlay" form
3. Read "Cash Flow Instructions"

Suggested Reading and Aids

Cash Flow in a Small Plant, SBA, MA 1.006

Class Notes:

CAPITAL OUTLAY

DIRECTIONS: Complete each step before going to the next one.

1. List in the DESCRIPTION column those items that you will need to purchase in order to start the business. This would include land, building(s), vehicle(s), equipment and any items that would have a salvage value at the end of their usefulness.

2. Estimate NEW and/or USED cost of each item listed using the information from the "Market Information Sheet" and "Small Business Owner/Manager Interviews."

3. Enter in the EXPECTED SALVAGE VALUE column the dollar amount expected from the item at the end of its usefulness.

4. Indicate the time period each item is expected to be beneficial by checking the appropriate column under EXPECTED LIFE.

5. Indicate if you have identified a source for each item by checking the appropriate column under HAVE YOU IDENTIFIED A SOURCE.

6. Estimate the amount of time it would take to acquire each item in HOW LONG WOULD IT TAKE TO ACQUIRE column.

7. When completed, FILE IN BUSINESS PLAN SECTION.

Notes:

CAPITAL OUTLAY

Land
Buildings
Vehicles
Equipment
Other

E-6

Description	Cost New	Cost Used	Expected Salvage Value	Expected Life: Under 3 Yr.	3 Yr. less than 5 Yr.	5 Yr. less than 7 Yr.	7 Yr. or more	Have you identified a source? Yes	No	How long would it take to acquire?
	$	$	$							

ESTIMATING CASH FLOW

Sample Problem

I. DEFINITIONS

A. Cash flow
B. Cash flow statement
C. Fixed expenses
D. Variable expenses
E. Capital
F. Inventory
G. Equity
H. Debt - long term
I. Debt - short term
J. Personnel
K. Cash Balance
L. Payroll Tax
M. Owner's Draw
N. Single ruled lines
O. Double ruled lines

II. INSTRUCTIONS

Work through this simulated cash flow problem step by step. The first month of the cash flow will be done in class as a group project. Each class member is to work months 2 and 3 on their own.

III. PROBLEM

First Month

Line 1. John and Jane Doe decided to go into business and invest part of their savings in the business -- $10,000. In addition, they will borrow from their bank another $10,000 at an interest rate of 16% to help start the business. This loan is payable in ten years. They also borrow $5,000 on a short-term basis at 18% interest.

Line 2.

Line 3. They estimate on their merchandise cycle for sales in the first month of business to be $1,000.

Line 5. They have rented a small shop for $900 per month.

Line 6. Utilities per month are estimated at: electricity = $190; water - $94; phone = $30.

Line 8. They have decided to take out insurance of various kinds for which they pay a monthly premium of $130.

Line 9. A small advertisement in the local Sunday paper runs $100 per month.

Line 10. They retain an attorney to help them with legal requirements and problems. They estimate this to be more the first month or two, around $500 the first month.

Line 11. They must charge 4% sales tax on all merchandise sold and in turn this sales tax is paid to the state government. Enter 4% of line 3.

Line 12. Some breakage can be expected to occur. Perhaps some theft also. John and Jane think it is best to plan for some loss. They think $50 per month will cover it.

Line 14. They plan to start business with an amount of merchandise valued at $9,000.

Line 15. They must have counters, cash registers, desks, etc. They begin modestly with some new, some used equipment valued at $5,000.

Line 16. In line 2 above we see that the Does have borrowed $15,000 to help them get started in businss. Of this amount, 10,000 is borrowed for a period of 10 years, a long-term debt; $5,000 is to be paid back in one year, a short-term debt. The monthly payment they must make on the long-term debt is $600.

Line 17. The monthly payment on the short-term debt is $500.

Line 18. Since both Jane and John are planning to work in the store, they will not need to have many employees to begin with. They decide to hire just one other person on a part-time basis. That individual will work 20 hours a week at $5 per hour, which will be about $420 per month.

Line 19. Jane and John must pay the government 6.70% of their employee's wages for Social Security taxes (called FICA). Enter 6.70% of Line 18.

Line 20. The Does decide to take $500 out of the business per month as their "salary." They will also have to use some of their savings to live on.

Line 22. This is the amount the Does' have left when they subtract all expenses from the total cash they have available.

Line 23. For this month Line 23 is the same amount as which other line?

Second Month

Line 1. The Cash Balance here is the same as the Cash Balance on line 22 from the previous month.

Line 2.

Line 3.

Line 5.) Since these are fixed expenses, they can be expected to
6.) remain the same every month.
8.)

Line 9. If the Does want to increase sales they feel they must let more people know about their business. They double the amount they are spending on advertising.

Line 10. Legal expenses will probably be the same.

Line 11. This item is 4% of Sales on Line 3.

Line 12. Same

Line 14. If business goes all right, they will need to have more merchandise on hand from which customers can choose. They decide to double their inventory.

Line 15. More counters, etc. are needed with more merchandise to handle. They buy more at a cost of $5,000.

Line 16. Same

Line 17. Same

Line 18. Staying open so many hours a day, they find they need more help - one full-time employee ($900 per month) and one part-time employee ($420 per month).

Line 19. Figure the FICA on the new payroll. (Obtain the payroll figures from Line 18.)

Line 20. Jane and John feel they need to take at least $1,000 for their personal use.

Line 22. Subtract. Do you have a gain or loss?

Third Month

Line 1. Bring the amount from Line 22 of the previous month.

Line 2. The Does decide they need another loan to help them meet current expenses. It will be a short-term loan for six months in the amount of $10,000 at 18% interest.

Line 3. Because they now have a larger inventory and are doing more advertising, John and Jane estimate cash sales will increase to $5,000.

Line 5.)
6.) Same
8.)

Line 9. Advertising and various promotional displays in the store amount to $250.

Line 10. Legal fees go down to $300 because they did not need as much help this month.

Line 11. This item is 4% of cash sales on Line 3.

Line 12. This item might go up now as they have more customers and more employees. Estimate $100.

Line 14. Inventory must be replenished and added to. Enter $5,000 here.

Line 15. Equipment seems to be sufficient now, but they are still paying for it, $500 per month.

Line 16. Same

Line 17. They have doubled the short-term debt due to the loan recorded on Line 2. Double the amount of Line 17.

Line 18. Same

Line 19. Same

Line 20. Same

Finish Lines 21, 22, and 23. Check your figures with your instructor. Ask for explanations of items which you do not understand.

CASH FLOW STATEMENT

ENTER MONTHS	_____			_____			_____			_____		
EXPECTED CASH RECEIPTS	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under
1) Cash Balance at Month's Beginning												
2) Loans Received												
3) Cash Sales												
4) TOTAL CASH AVAILABLE (lines 1+2+3)												
EXPECTED CASH EXPENDITURES												
FIXED EXPENSES												
5) Rent/Leases												
6) Utilities												
7) Other (_____)												
8) Insurance												
VARIABLE EXPENSES												
9) Promotions												
10) Legal												
11) Sales Tax												
12) Breakage/Theft												
13) Other (_____)												
CAPITAL												
14) Inventory												
15) Equipment												
DEBT REPAYMENT												
16) Long Term												
17) Short Term												
PERSONNEL												
18) Salaries/Wages												
19) Payroll Tax												
20) Owner's Draw												
21) TOTAL CASH REQUIRED (Lines 5 - 20)												
22) CASH BALANCE END OF MONTH (Lns 4 - 21)												
23) Cumulative Balance												

Unit X
Student Notebook

BUSINESS PLAN SUMMARY SHEET

1. Restatement of goals or why you want to open your own independent business. _____

2. Define goods or services to be sold and list merchandise source.

3. Describe and give number of potential customers. _____

4. Describe your method of sales. _____

5. Projected amount of gross sales for the first year _____, second year _____.

6. Projected income for the first year _____, second year _____.

7. Projected expenses (cost of operation for the first year _____, second year _____.

8. Projected profit for the first year _____, second year _____.

9. Projected loss for the first year _____, second year _____.

10. From your cash flow statement enter the amount of money you will need for the first year _____.

11. List the sources from which you will raise the required money.

Class Preparation Sheet

Unit X

Specific Assignment

1. Complete second and third month of sample cash flow problem
2. Gather data to complete cash flow statement for business idea
3. Complete "Cash Flow Statement"
4. Prepare questions for guest panel discussion

Suggested Reading and Aids

Cost of Doing Business, Partnerships, Proprietorships, Corporations, Dun & Bradstreet, Inc.

Key Business Ratios, Dun & Bradstreet, Inc.

How to Read a Financial Report, Merrill Lynch, Pierce, Fenner, and Smith, Inc.

Buying for Retail Stores, SBA, SBB 37

Class Notes:

CASH FLOW STATEMENT

DIRECTIONS: Complete each step before going to the next one.

Enter months, beginning with the first month you expect to open your business.

1. Enter on line 1 the cash balance at the beginning of the month.
2. Enter on line 2 the amounts of any loans you receive during a particular month(s).
3. Transfer the monthly sales figures from the even numbered columns on the MERCHANDISE CYCLE sheet to the Cash Sales, line 3 in the Estimated Sales Column.
4. Enter your fixed expenses for each month on line 5 through 8. Complete for each month before moving to the next step.
5. Enter your estimated variable expenses by month on line 9 through 13.
6. Enter on line 14 the cost of merchandise purchased to meet projected sales figures.
7. List the value of equipment which has to be purchased by month for the upcoming year. Use line 15.
8. Enter your debt repayment, Long Term and Short Term, by month on line 16 and 17.
9. Enter your estimated salary/wages on line 18.
10. Enter by month the amount of your payroll taxes on line 19.
11. Enter by month the amount of your draw on line 20.
12. Total lines 5 through 20 and enter on line 21. This will provide you with an estimate of the money needed for expenses.
13. Subtract line 21 from line 4 and enter the difference on line 22. This will tell you if you have a surplus or a loss for the month. Maintain a cumulative balance on line 23.
14. Enter cash balance from line 23 on line 1 of the next month.
15. When completed, FILE IN BUSINESS PLAN SECTION.

CASH FLOW STATEMENT

ENTER MONTHS	_____			_____			_____			_____		
EXPECTED CASH RECEIPTS	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under
1) Cash Balance at Month's Beginning												
2) Loans Received												
3) Cash Sales												
4) TOTAL CASH AVAILABLE (lines 1+2+3)												
EXPECTED CASH EXPENDITURES												
FIXED EXPENSES												
5) Rent/Leases												
6) Utilities												
7) Other (_____)												
8) Insurance												
VARIABLE EXPENSES												
9) Promotions												
10) Legal												
11) Sales Tax												
12) Breakage/Theft												
13) Other (_____)												
CAPITAL												
14) Inventory												
15) Equipment												
DEBT REPAYMENT												
16) Long Term												
17) Short Term												
PERSONNEL												
18) Salaries/Wages												
19) Payroll Tax												
20) Owner's Draw												
21) TOTAL CASH REQUIRED (Lines 5 - 20)												
22) CASH BALANCE END OF MONTH (Lns 4 - 21)												
23) Cumulative Balance												

CASH FLOW STATEMENT

ENTER MONTHS												
EXPECTED CASH RECEIPTS	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under
1) Cash Balance at Month's Beginning												
2) Loans Received												
3) Cash Sales												
4) TOTAL CASH AVAILABLE (lines 1+2+3)												
EXPECTED CASH EXPENDITURES												
FIXED EXPENSES												
5) Rent/Leases												
6) Utilities												
7) Other (_____)												
8) Insurance												
VARIABLE EXPENSES												
9) Promotions												
10) Legal												
11) Sales Tax												
12) Breakage/Theft												
13) Other (_____)												
CAPITAL												
14) Inventory												
15) Equipment												
DEBT REPAYMENT												
16) Long Term												
17) Short Term												
PERSONNEL												
18) Salaries/Wages												
19) Payroll Tax												
20) Owner's Draw												
21) TOTAL CASH REQUIRED (Lines 5 - 20)												
22) CASH BALANCE END OF MONTH (Ln 4 - 21)												
23) Cumulative Balance												

CASH FLOW STATEMENT

ENTER MONTHS	_____			_____			_____			_____		
EXPECTED CASH RECEIPTS	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under	Estimated	Actual	Over/Under
1) Cash Balance at Month's Beginning												
2) Loans Received												
3) Cash Sales												
4) TOTAL CASH AVAILABLE (lines 1+2+3)												
EXPECTED CASH EXPENDITURES												
FIXED EXPENSES												
5) Rent/Leases												
6) Utilities												
7) Other (_____)												
8) Insurance												
VARIABLE EXPENSES												
9) Promotions												
10) Legal												
11) Sales Tax												
12) Breakage/Theft												
13) Other (_____)												
CAPITAL												
14) Inventory												
15) Equipment												
DEBT REPAYMENT												
16) Long Term												
17) Short Term												
PERSONNEL												
18) Salaries/Wages												
19) Payroll Tax												
20) Owner's Draw												
21) TOTAL CASH REQUIRED (Lines 5 - 20)												
22) CASH BALANCE END OF MONTH (Lns 4 - 21)												
23) Cumulative Balance												

Unit XI
Student Notebook

Class Preparation Sheet

Unit XI

Specific Assignment

1. Bring questions for member of panel discussion
2. Complete cash flow statement for business idea

Suggested Reading and Aids

The A B C's of Borrowing, SBA, MA 1.001

Questions Which May Be Asked By An Investor

SBA Business Loans, OPI-8

SBA, What It Does

Class Notes:

QUESTIONS WHICH MAY BE ASKED BY AN INVESTOR

1. Are there factors outside the control of your small business which would make it easier or harder to succeed?

2. Do failure statistics indicate that your type of small business has a good chance for success?

3. How much money may this institution (the investor) expect to make as a result of providing funds for your business idea, as compared to other investments?

4. Is there any security available? That is, are there any possessions of value which could be sold to help repay the loan if the small business does not make enough money to repay the loan? What is the quality of the available security?

5. How much capital will you provide as the entrepreneur? What percentage of your personal assets (as the entrepreneur) are you willing to invest in the business?

6. How much time is anticipated before the loan will be repaid? How long will it take before money invested in the business will increase in value to the point where it could be sold to someone else at a greater price (appreciate in value)?

7. What risk is this institution (the investor) taking in terms of the percentage of investor assets made available to the small business?

8. Is the entrepreneur putting his own money into the business as an investment or does he expect that the business will pay him back his own money, plus interest. That is, is the entrepreneur making an equity investment or loaning money to the business?

9. What is the market for the business' product? Can the product be manufactured, sold, and distributed on a profitable basis?

10. Has the entrepreneur done a complete and thorough job of analyzing the business? Do they have sufficient experience?

Other:

Unit XII
Student Notebook

Class Preparation Sheet

Unit XII

Specific Assignment

1. Complete any assignments which are not finished

Suggested Reading and Aids

Keeping Records in Small Business, SBA, MA 1.017

Analyze Your Records to Reduce Costs, SBA, MA 1.011

Class Notes:

Unit XIII
Student Notebook

Class Preparation Sheet

Unit XIII

Specific Assignment

1. Complete "Personnel Needs"
2. Complete "Business Plan Summary Sheet"
3. Review Business Plan

Suggested Reading and Aids

Delegating Work and Responsibility, SBA, MA 3.001

Checklist for Developing a Training Program, SBA, MA 5.001

Staffing Your Store, SBA, MA 5.007

Personnel Management, SBA, SBB 72

Class Notes:

PERSONNEL NEEDS

(Full Time Employee Needs)

	Description of Task/Job In The Small Business	Personnel Qualifications	Time To Be Spent Each Week on This Task/Job (In hours)	Source of Personnel for Task/Job
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				

Total number work hours per week to run business _____ hours.

Divide by 40 to estimate number of full time individuals needed to operate the small business.

- FILE IN BUSINESS PLAN SECTION -

$\frac{\text{_____}}{40}$ = _____ Full Time Employees

12. List the kinds of records you will have to keep. _____

13. List the licenses and permits that are required for the operation of your business. _____

14. List the kinds of taxes you will have to pay. _____

15. List the kinds and amount of insurance you will need. _____

16. Describe the location and layout of your business. _____

17. List the media you will use for advertising. _____

18. List sources of outside help you plan to use. _____

19. Describe your business structure (partnership, sole proprietorship, limited proprietorship, incorporation). _____

20. How do you see this structure changing in the next five years? ____

Unit XIV
Student Notebook

Class Preparation Sheet

Unit XIV

Specific Assignment

1. Complete "Personnel Needs" form
2. Complete "Business Plan Summary Sheet"
3. Bring complete business plan for interview with loan institution officer

Suggested Reading and Aids

Management Assistance, SBA

Class Notes:

Unit XIV
Student Notebook

Business Plan
for

_____

(Business)

by _____

Date _____

* * * *

BUSINESS PLAN

	(✓) When Completed
Interest Inventory	_____
The Right Business For You	_____
Products/Services Offered by the Business	_____
Personal Data Sheet	_____
List of Concerns and Similar Small Businesses	_____
Legal Forms of Business Organization	_____
My Insurance Needs	_____
Sources of Information	_____
Personal Financial Statement	_____
Factors to Consider in Selecting the Community	_____
Factors to Consider in Selecting a Store Location Within The Community	_____
Should Property Be Rented, Leased or Purchased?	_____
Factors to Consider in Layout Planning	_____
Layout for Business	_____
Sources of Merchandise Cycle Information	_____
Factors Affecting Merchandise Cycle Planning	_____
Merchandise Inventory	_____
Merchandise Cycle	_____
Capital Outlay	_____
Cash Flow Statement	_____
Personnel Needs	_____

Additional entrepreneruship materials available through The Vocational Studies Center:

GETTING DOWN TO BUSINESS: (Business specific module)

INTRODUCTORY MATERIALS

A HANDBOOK ON UTILIZATION OF ENTREPRENEURSHIP MATERIAL FOR VOCATIONAL EDUCATION
ETC100A . . . . . $ 3.00

RESOURCE GUIDE OF EXISTING ENTREPRENEURSHIP MATERIALS
ETC100B . . . . . $ 3.00

CORE MODULE: GETTING DOWN TO BUSINESS: WHAT'S IT ALL ABOUT?
ETC100C1 Student module . . . . . $ 10.00
ETC100C2 Teacher module . . . . . $ 3.00

SYNTHESIS OF FIELD TEST FINDINGS
ETC100SS . . . . . $ 1.00

AGRICULTURE DISCIPLINE:

DAIRY FARMING
ETC100D1 Student module . . . . $ 6.00
ETC100D2 Teacher module . . . . $ 3.00

FARM EQUIPMENT REPAIR
ETC100E1 Student module . . . . $ 6.00
ETC100E2 Teacher module . . . . $ 3.00

FERTILIZER AND PESTICIDE SERVICE
ETC100F1 Student module . . . . $ 6.00
ETC100F2 Teacher module . . . . $ 3.00

GARDEN CENTER
ETC100G1 Student module . . . . $ 6.00
ETC100G2 Teacher moudle . . . . $ 3.00

TREE SERVICE
ETC100H1 Student module . . . . $ 6.00
ETC100H2 Teacher module . . . . $ 3.00

BUSINESS AND OFFICE DISCIPLINE:

ANSWERING SERVICE
ETC100J1 Student module . . . . $ 6.00
ETC100J2 Teacher module . . . . $ 3.00

BOOKKEEPING SERVICE
ETC100K1 Student module . . . . $ 6.00
ETC100K2 Teacher module . . . . $ 3.00

SECRETARIAL SERVICE
ETC100L1 Student module . . . . $ 6.00
ETC100L2 Teacher module . . . . $ 3.00

SOFTWARE DESIGN COMPANY
ETC100M1 Student module . . . . $ 6.00
ETC100M2 Teacher module . . . . $ 3.00

WORD PROCESSING SERVICE
ETC100N1 Student module . . . . $ 6.00
ETC100N2 Teacher module . . . . $ 3.00

HEALTH DISCIPLINE:

HEALTH SPA
ETC100P1 Student module . . . . $ 6.00
ETC100P2 Teacher module . . . . $ 3.00

NURSING SERVICE
ETC100R1 Student module . . . . $ 6.00
ETC100R2 Teacher module . . . . $ 3.00

WHEELCHAIR TRANSPORTATION SERVICE
ETC100S1 Student module . . . . $ 6.00
ETC100S2 Teacher module . . . . $ 3.00

MARKETING AND DISTRIBUTION DISCIPLINE:

APPAREL STORE
ETC100T1 Student module . . . . $ 6.00
ETC100T2 Teacher module . . . . $ 3.00

BICYCLE STORE
ETC100U1 Student module . . . . $ 6.00
ETC100U2 Teacher module . . . . $ 3.00

BUSINESS AND PERSONAL SERVICE
ETC100V1 Student module . . . . $ 6.00
ETC100V2 Teacher module . . . . $ 3.00

FLOWER AND PLANT STORE
ETC100W1 Student module . . . . $ 6.00
ETC100W2 Teacher module . . . . $ 3.00

INNKEEPING
ETC100X1 Student module . . . . $ 6.00
ETC100X2 Teacher module . . . . $ 3.00

SPECIALTY FOOD STORE
ETC100Y1 Student module . . . . $ 6.00
ETC100Y2 Teacher module . . . . $ 3.00

TRAVEL AGENCY
ETC100Z1 Student module . . . . $ 6.00
ETC100Z2 Teacher module . . . . $ 3.00

OCCUPATIONAL HOME ECONOMICS DISCIPLINE:

DAY CARE CENTER
ETC100AA1 Student module . . . . $ 6.00
ETC100AA2 Teacher module . . . . $ 3.00

HOME ATTENDANT SERVICE
ETC100BB1 Student module . . . . $ 6.00
ETC100BB2 Teacher module . . . . $ 3.00

HOUSECLEANING SERVICE
ETC100CC1 Student module . . . . $ 6.00
ETC100CC2 Teacher module . . . . $ 3.00

RESTAURANT BUSINESS
ETC100DD1 Student module . . . . $ 6.00
ETC100DD2 Teacher module . . . . $ 3.00

SEWING SERVICE
ETC100EE1 Student module . . . . $ 6.00
ETC100EE2 Teacher module . . . . $ 3.00

TECHNICAL DISCIPLINE:

ENERGY SPECIALIST SERVICE
ETC100FF1 Student module . . . . $ 6.00
ETC100FF2 Teacher module . . . . $ 3.00

GUARD SERVICE
ETC100GG1 Student module . . . . $ 6.00
ETC100GG2 Teacher module . . . . $ 3.00

PEST CONTROL SERVICE
ETC100HH1 Student module . . . . $ 6.00
ETC100HH2 Teacher module . . . . $ 3.00

TRADES AND INDUSTRY DISCIPLINE:

AIR CONDITIONING AND HEATING SERVICE
ETC100JJ1 Student module . . . . $ 6.00
ETC100JJ2 Teacher module . . . . $ 3.00

AUTO REPAIR SHOP
ETC100KK1 Student module . . . . $ 6.00
ETC100Kk2 Teacher module . . . . $ 3.00

CARPENTRY BUSINESS
ETC100LL1 Student module . . . . $ 6.00
ETC100LL2 Teacher module . . . . $ 3.00

CONSTRUCTION ELECTRICIAN BUSINESS
ETC100MM1 Student module . . . . $ 6.00
ETC100MM2 Teacher module . . . . $ 3.00

HAIR STYLING SHOP
ETC100NN1 Student module . . . . $ 6.00
ETC100NN2 Teacher module . . . . $ 3.00

PLUMBING BUSINESS
ETC100PP1 Student module . . . . $ 6.00
ETC100PP2 Teacher module . . . . $ 3.00

WELDING BUSINESS
ETC100RR1 Student module . . . . $ 6.00
ETC100RR2 Teacher module . . . . $ 3.00

COMPLETE SET . . . . . $ 200.00

ACHIEVING SUCCESS IN SMALL BUSINESS: A Competency-Based Educational Program For Persons Interested In Small Business Ownership

These modules provide an individualized program of study for small business owner-managers to develop managerial-entrepreneural competencies.

Each instructional module includes an audio tape, printed material, learning activities, a preferred reading list and reference materials (Small Business Administration aids, and selected Dun and Bradstreet publications.)

This set contains 12 modules, 6 audio tapes (containing the 12 lessons), and a final report. For your convenience, contents are shrink wrapped and packaged in a 3-ring vinyl binder with tabs and cassette holder.

Twelve modules include:

1. Success in Small Business: Luck or Pluck?
2. Determining Capital Needs
3. Estimating Your Business Potential
4. Creating An Effective Business Image
5. Developing Your Sales Promotion Plan
6. Developing Ads That Produce Results
7. Improving Profits Through Effective Management
8. Improving Employee Selection Training and Supervision
9. Merchandising: The Key to Greater Profits
10. Business Records: Good Medicine Tastes Bad
11. Assessing the Health of Your Business
12. Protection for You and Your Business

ETC150.....$ 75.00

STEPS TO STARTING A SMALL BUSINESS FOR HIGH SCHOOL STUDENTS

Publication contains 14 sessions outlining all the steps one would need to start a small business. Primarily designed to use community resource people to deliver content. Contains teaching outline, student section and bibliography. Designed for use at the secondary level but adaptable for post-secondary and adult education audiences.

ETC200.....$ 15.00

These materials may be ordered by writing:

The Vocational Studies Center
Publication Unit
265 Educational Sciences Building
1025 W. Johnson St.
Madison, WI 53706
(608)263-4357

THE VOCATIONAL STUDIES CENTER

University of Wisconsin-Madison

The Vocational Studies Center at the University of Wisconsin-Madison was reorganized with the support of the Wisconsin Board of Vocational, Technical, and Adult Education within the School of Education in 1971. The function of the center is to serve the State of Wisconsin in a unique way by bringing the resources of the University to bear on identified problems in the delivery of vocational and manpower programs—vocational education, technical education, adult education, career education and manpower training—to citizens of all ages in all communities of the state. The center focuses upon the delivery of services including analyses of need, target groups served, institutional organization, instructional and curriculum methodology and content, labor market needs, manpower policy, and other appropriate factors. To the extent that these goals are enhanced and the foci of the problems widened to encompass regional and national concerns, the center engages in studies beyond the boundaries of the state.

Merle E. Strong, Director
Roger H. Lambert, Associate Director

964 EDUCATIONAL SCIENCES BUILDING 1025 W JOHNSON ST MADISON WI 53706